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CONFIDENTIAL.

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PART III.

EASTERN DEPARTMENT:

SECRET SERIES.

July to September 1911.

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Eastern Department: Secret Series.

PART III.

[25620]

No. 1.

Mr. Pict to Mr. Maxwell.—(Received July 1.)

Junior United Service Club, London,
June 20, 1911.

My dear Maxwell,

REFERRING to my visit to you yesterday regarding the formation of a syndicate composed of the Persian Transport Company (the shares of which are held by the Euphrates and Tigris Steam Navigation Company and the Imperial Bank of Persia) and the Persian Oil Company, it was proposed and agreed that the Persian Transport Company and the Persian Oil Company should take equal shares, that a certain capital should be raised for the initial expenses connected with the obtaining of the railway concessions in Persia, and that an independent chairman should be chosen.

No definite reply has yet been received to the invitation sent out to the proposed chairman.

As far as the matter has yet gone this seems to me satisfactory, and should prove a solution of the differences which would certainly arise should these different interests enter the field in competition.

With the syndicated interests we shall have the Transport Company (inclusive of the Imperial Bank of Persia and the Euphrates and Tigris Steam Navigation Company) and the Oil Company working in unison.

At the meeting at the Imperial Bank of Persia to discuss the best method of bringing the foregoing interests into line, the chairman of the Imperial Bank of Persia presided; Mr. Greenway represented the Persian Oil Company. This gentleman seemed to be of the opinion that the Transport Company had failed to accomplish its aims in Persia, and had thereby shown itself unequal to its task. This view is demonstrably incorrect, for it has been quite impossible to undertake any work in Laristan or on the Koin-Ispahan roads during recent years.

If you have an opportunity, I hope Mr. Greenway will have this point made clear to him by the Foreign Office, as it is of importance to us that he should understand why the Transport Company has not been able to go ahead faster. There is, as you know, some 10,000,000 ready to lay out on the Koin-Ispahan road as soon as our concession is renewed and safety can be secured on this road.

As regards the Armstrong and Palmer contract case in Constantinople, our position vis-à-vis of British firms desirous of securing railway concessions in Persia is not an all fours. In the Armstrong case other shipbuilding firms were tendering, and the Foreign Office, I take it, was only concerned to see that one of these firms got the order. There were no obligations towards Armstrong. In our case the Foreign Office is in a different position; the inducement to the Transport Company to take over the roads in the north, &c., was confidence in the Foreign Office assurances as regards railways. Acting on the faith of these assurances, we have given an immense amount of headwork, for nearly ten years, without fees to the board or dividends to the shareholders, and have kept the enterprise with its head above water. A considerable sum of money has also been expended by us.

Under these circumstances, we have a claim on the Foreign Office to make good their assurances. It will simplify matters enormously if all goes well with the combined interests, and I venture to suggest that the Foreign Office should use its decisive influence to bring us all together should any unforeseen difficulty arise.

Yours sincerely,
H. PICOT.

[25700]

No. 2.

Mr. O'Beirne to Sir Edward Grey.—(Received July 3.)

(No. 180. Secret.)

Sir,

St. Petersburg, June 27, 1911.

I ASKED the Acting Minister for Foreign Affairs yesterday whether he could tell me anything to report to you regarding the progress of his pending negotiations with Germany. He said that he had asked Count Benckendorff to speak to you regarding the clause concerning the Khanikin-Tehran railway. He was in doubt whether it was necessary to insert in that clause a provision to meet the case of neither Russian, French, nor British capital being forthcoming in sufficient amount for the eventual construction of the line. At any rate, he thought that we ought in good time to consider the question of how the capital was to be provided and of "guarantees" for the interest.

I said that I thought, when the question had been discussed before, it had been agreed that it would be sufficient to have a clause providing that Russia would undertake the construction of the line and reserved to herself the right to bring in foreign capital. If when the time came the capital was not forthcoming, it would be early enough to think of the communication which would have to be made to Germany.

M. Néretof replied that if the clause were drafted in the way suggested, and if Russia when the time came could not procure sufficient capital for the construction of the line, Russia would have failed to carry out her undertaking, and the other clauses of the agreement would fall through. It might be better to add a provision giving Russia liberty to renounce the right of building the line if she chose to do so.

I have, &c.

HUGH O'BEIRNE.

[25701]

No. 3.

Mr. O'Beirne to Sir Edward Grey.—(Received July 3.)

(No. 181. Secret.)

Sir,

St. Petersburg, June 28, 1911.

I ASKED the Acting Minister for Foreign Affairs on the 26th instant whether we might soon expect an answer to the *aide-mémoire* from His Majesty's Embassy of the 2nd (15th) May last, stating the conditions on which His Majesty's Government would be prepared to assent in principle to the scheme for the construction of a trans-Persian railway to connect with the Indian railway system. M. Néretof said that he had not intended to return any reply to Sir G. Buchanan's communication. It would be time enough to go into the detailed questions raised by these conditions when the proposed "Société d'Études" had completed its task and we had fuller information in our possession. When dealing with the conditions laid down by Great Britain, the Russian Government would probably put forward conditions of their own, and this would involve lengthy negotiations. For the present, it was sufficient that the two Governments should have signified their assent to the general principle of a trans-Persian line.

I said that I understood that some of the Russian promoters of the scheme were shortly going to London with the object of associating themselves with a group of English capitalists who would join in finding the money for a survey of the proposed route. I thought that before subscribing the necessary funds the capitalists would like to know that the two Governments had definitely assented to the scheme of a trans-Persian line. Suppose that after the surveys had been carried out Russia declined to agree to one of the conditions put forward by His Majesty's Government,

[26452]

No. 4^a.

Enclosure in India Office Letter.—(Received July 7.)

Government of India to the Marquess of Crewe.

(Telegraphic.) P.

July 5, 1911.

PLEASE refer to my telegram of the 14th March regarding Shat-el-Arab buoys. With the Foreign Secretary's weekly letter of the 29th June is forwarded the Admiral's telegram of the 15th June, giving particulars as to the boundaries of Turkish and Persian waters.

[1510]

B*

and the latter could not give their assent to the principle of the line. The capitalists concerned would rightly feel aggrieved.

M. Nézetof replied that he had carefully explained to M. Khomiakoff that the Russian Government was merely agreeing in a general way to the idea of a trans-Persian line, but that it did not follow that on further examination difficulties might not arise to prevent Russia from agreeing to the actual execution of the project.

I venture to think that it would be desirable that you should furnish His Majesty's Embassy with instructions as to the necessity of a reply being returned by the Russian Government to the embassy's last communication.

I have, &c.
HUGH O'BEIRNE.

[26373]

No. 4.

Papers communicated by India Office, July 3.

(1.)

Government of India to the Marquess of Crewe.

(Telegraphic.) P. June 27, 1911.
PERSIAN Gulf buoying and lighting. See your telegram dated the 10th instant. I agree after further enquiry both as to provision of acetylene gas buoy at inner bar, and as to desirability of British light vessel being placed, as recommended by admiral, 4 or 5 miles to seaward of gas outer buoy. Further enquiry is being made, there being some difficulty as to preparation of detailed estimates, and a further report will be sent.

(2.)

The Marquess of Crewe to Government of India.

(Telegraphic.) P. India Office, July 3, 1911.
PERSIAN Gulf.
With reference to your telegram of 8th June, regarding survey, I propose before replying to see what progress is made with the negotiations with Turkey. These have not yet begun, and the matter of the survey does not appear to be urgent.

[26743]

No. 5.

Mr. Marling to Sir Edward Grey.—(Received July 10.)

(No. 460.)
Sir,

Therapia, July 3, 1911.

I HAD some conversation this afternoon with Sir Henry Babington Smith on the subject of the concessions for the construction of commercial ports at Samoun and Trebizond, and he explained to me the difficulty of the situation in which the National Bank of Turkey finds itself in very much the same language as that of his letter to Sir Arthur Nicolson of to-day's date, which he kindly allowed me to read.

In the existing circumstances, it seems quite possible that the Minister for Foreign Affairs or the Grand Vizier may enquire what is the attitude of His Majesty's Government towards the enterprise, and I should be glad to be informed what reply I should make.

I have, &c.
CHARLES M. MARLING.

Sir H. Babington Smith to Sir A. Nicolson.—(Received July 10.)

Dear Sir Arthur,

Constantinople, July 3, 1911.

YOU may be interested to hear what progress has been made in the various matters which we discussed when I was in London.

As regards our relations with the Bank of Salonica and the Ottoman Bank, there is no change in the position. I am told by the Bank of Salonica people that M. Révoil is still anxious to find a solution, but there has been no fresh move on his part. I am convinced that the only course which is likely to produce a satisfactory result is that we should, in the meantime, go ahead on our own account, and consolidate and strengthen the position of the National Bank of Turkey as much as possible.

I mentioned to you, in my letter of the 13th April, that we were negotiating with the Government regarding the ports of Samsoun and Trebizond. The Government are inclined to conclude with us a "contrat d'études" for these two ports, with provisions which would give us the option of converting this "contrat d'études" into a definite contract for the construction and working of the ports after the studies are completed. We are practically in agreement with the Government regarding the terms of the contract, but the matter was held up for a time through the Grand Vizier's absence. In the meanwhile, the French are taking action which marks very clearly their attitude to any British enterprise in this country. Messrs. Hersent and Schneider some time ago made proposals to the Government for the construction of a large number of ports in Turkey, including, among others, Samsoun and Trebizond. The grandiose proportions of this scheme commended it to the late Minister of Public Works, but Hakki Pasha and Djavid Bey were more moderate in their ideas, and were opposed to the scheme, partly because they found the conditions unacceptable, and partly because they did not wish to embark on the construction of ports on so large a scale. The scheme was definitely rejected before the negotiations with us began. Messrs. Hersent and Schneider have now sent a representative here who is claiming, on the basis of their former proposals, that they have a prior claim to any contract relating to these ports. M. Révoil has written a letter of a threatening character (this was the word which the Minister of Finance used in describing it), informing the Government that if a contract for these ports were signed with the National Bank of Turkey it would produce a deplorable effect in France, and would unfavourably influence the negotiations for the large railway scheme. M. Bonapart has spoken in the same sense to the Grand Vizier, and has stated in addition that the ports of Samsoun and Trebizond had been included in the discussions between himself and the Grand Vizier relating to the railway scheme. This the Grand Vizier absolutely denies, and I have every reason to believe his statement is correct, since it agrees with what he told me in April.

Hakki Pasha tells me that he has not changed his mind and that he wishes to sign the contract with us. At the same time, he is evidently nervous regarding press attacks in France and difficulties with the French Government, and I am not quite sure what his final decision will be.

The whole course of the matter is a good illustration of the French attitude. Because certain French firms have made proposals regarding the construction of ports, the French consider that they have a sort of monopoly of port construction in this country. Because certain proposals for railway construction have been under discussion, the French would prohibit the Turks from negotiating with anybody else regarding the ports at which these railways reach the sea. If it were merely a question between us and French applicants, we should be perfectly content to continue to negotiate without asking for any support from the Government. But the French do not allow matters to remain there; the Ambassador intervenes, and threatens the Turks with unpleasant consequences if he is not listened to. Relying on what you said to me, I was able to assure the Grand Vizier that, in this case, he need not apprehend any intervention of the British Government, similar to that which took place in the case of the loan of last year, but Hakki Pasha would evidently like something more than this. He would like an active expression of interest on the part of the Foreign Office, to strengthen him against French pressure.

You were so good as to say, when I saw you in May last, that the Foreign Office would be prepared to support us in the matter of the ports, if we so wished, but that it would be necessary to communicate with Russia first, and to ascertain that there was no objection from that quarter. I fear that if this condition is indispensable, the

support is deprived of its value. If the Russian Government were consulted, they would probably communicate with the French, and would be likely to raise difficulties merely to please them. Unless you would be prepared to disregard Russian objections (and that, I presume, is not the case) we should only be worse off than before. Russian opposition, of which at present we have heard nothing, would be added to French, and we should receive from you a definite refusal of support, which would be hardly distinguishable, so far as regards the Turks, from actual opposition. Moreover, the Turks would hardly take it in good part that, as the result of our action, Russia should be consulted regarding the construction of ports in Ottoman territory.

I naturally hesitate to ask for support, unless it can be given in a form which is likely to lead to some useful result. In the meantime, the position is singularly one-sided—how one-sided is perhaps best shown by imagining an analogous case in the reverse direction. What would be said by the French if the British Ambassador threatened the Turks with unpleasant consequences if they signed a contract with an establishment representing French capital?

The French may perhaps use the argument that the ports ought, as a matter of practical convenience, to go with the railway scheme. The negotiations for the railway scheme are in a very early stage; but even if a railway concession with termini at Samsoun and Trebizond is eventually given to the French, there is no good reason why the ports should go with the railways. For a long time to come, there is not likely to be any conflict of interests. The interest of both parties will be to increase as much as possible the traffic, both of the port and railway. If, at any time, there should be a question of a second railway arriving at the same port then there might be distinct advantages for the Turkish Government in having the port in different hands from the railway. Moreover, Samsoun and Trebizond are existing ports with a large traffic quite independent from that which may be brought by railway extension. If the French had the faintest desire to see English capital taking any part in Turkey, they would find here an excellent ground for co-operation between the ports, on the one hand, and the railways, on the other; but, as I have already said, I am convinced that there is no such desire. Their policy will be directed towards excluding British enterprise, so long as they see any possibility of doing so. It is only when they find that they cannot succeed in this line that they will be prepared to consider reasonable proposals for co-operation.

As regards other matters, we are making some progress. We have submitted the results of our preliminary survey of the Meander valley with a view to flood prevention and irrigation. In connection with this scheme we have offered a participation to a group connected with the Bank of Salonica, which contains some French interests.

The tenders for the Mesopotamian irrigation works (Hindie barrage and Habbanié escape) were sent in a few days ago. The only tenderers were Sir John Jackson's firm, who are working in close co-operation with us, and Pearson's. Here again we have offered, in the event of our being successful, a participation of 25 per cent. to the French group (represented by M. Bardac) which is connected with the Ottoman Bank, but I have not as yet received any reply. In accordance with the intention which we mentioned to you, I offered also a participation of 25 per cent. to the German group represented by the Deutsche Bank, and this was accepted.

In these matters, as you will see, we have shown our readiness to invite French co-operation, but we do not find any ready response, still less any reciprocity, from the other side.

Hakki Pasha spoke with some surprise of not having yet received a reply on the Bagdad question. The delay is most unfortunate. Incidents are certain to arise which will render settlement more difficult. For instance, the trouble between Saadun Pasha and the Sheikh of Koweit will bring the Koweit question to the front again. It is stated that Saadun Pasha, in asking for the assistance of the Turkish Government, suggests that the English have invited Mubarak to attack him, because he (Saadun) would not be corrupted by their promises and would not further their views on Mesopotamia. The German position, on the other hand, will grow steadily stronger by lapse of time. A large staff of engineers has arrived at Bagdad, to begin building the line from there to Mossoul. In the last arrangement with the Turks they have received all they wanted, and have as yet given up nothing. The longer the period which elapses before they are called upon to carry out their undertaking to resign the concession for the line south of Bagdad in order to permit of a rearrangement, the greater will be their tendency to be stiff in the conditions which they will require.

The general position here is not very settled. Djavid Bey and his friends are not

at all inclined to sit down quietly under their defeat, and will try and strengthen their position in the provinces with a view to turning out Hakkî Pasha and coming back themselves. There is some coquetting between this wing of the party and Nazim Pasha, who is undoubtedly popular in the army; and it is not beyond the bounds of possibility that Nazim Pasha might become Minister of War in Mahmoud Chevket's place, especially if the various military operations go badly. The more moderate and sensible Turks feel that the Committee party have gone much too far and too fast in the direction of levelling and Ottomanisation. I had a conversation recently with Nail Bey, the present Minister of Finance—a very sensible, level-headed man. He expressed the view that serious mistakes of this character had been made in dealing with Albania. I told him that opinion in England was being strongly affected by the telegrams regarding the operations in Albania. He recognised that this was so, and regretted it; but, at the same time, he stated confidently that the telegrams were grossly exaggerated. The news in the English papers came from Montenegro or Vienna, and was consequently strongly coloured by political sympathies. He was glad that a "Times" correspondent had now been allowed to accompany the Turkish forces, and sorry that this had not been allowed before. It is impossible, of course, here to obtain accurate information, but I have no doubt that the accounts from Montenegrin sources are greatly exaggerated.

Yours sincerely,

H. RABINGTON SMITH.

[27323]

No. 7.

Sir G. Buchanan to Sir Edward Grey.—(Received July 11.)

(No. 150. Secret.)

(Telegraphic.) P.

RUSO-GERMAN negotiations.

When I saw M. Nératof to-day his Excellency read to me the draft agreement as amended by him. He proposes to hand this text to Count Pourtales on Friday next, the 14th July.

The preamble and the 1st article of this document are identical with the version of them given in my despatch No. 44, Secret, of the 21st February last.

Considerable modifications have been introduced into the 2nd article. As it is now worded, Russia only undertakes to begin the construction of the line from Kianik to Tehran two years after the completion of the branch line from Sadijeh, and to complete it in another four years. It had previously been demanded by Germany that the Kianik-Tehran line should be completed in two years from the date of the completion of the Sadijeh branch. Russia is to fix the trace of the line, due consideration being given to the wishes of Germany in the matter; both Governments agree that no differential rates are to be imposed on either of the two lines. Russia reserves the right to renounce the concession if she is unable to begin the construction within the prescribed two years.

As regards article 3, the Russian Government undertakes not to oppose the realisation of the Bagdad Railway nor to put any obstacles in the way of the participation of foreign capital; no pecuniary nor economic sacrifices are, however, to be demanded of the Russian Government.

M. Nératof promised that he would give the German Ambassador to understand that the omission of the word "Konieh" was assented to on the understanding that all the other conditions laid down in the agreement were accepted by Germany.

An alteration has also been effected in the concluding portion of this article which deals with the railways to the north of Kianik. The only engagement that the German Government now takes is to make no decision with regard to them without previously coming to an understanding with the Russian Government. The 4th article of the draft has reference to the concluding sentence of the 2nd article. Should the Russian Government renounce the concession of the Kianik-Tehran branch the Russian Government reserves to itself the right to cede it to a foreign financial syndicate, to participate in the enterprise to such extent as she may wish, to have all the same privileges as the constructor of the line or the most favoured nation, and to have the right to buy the line at the cost price.

It is expected by the Acting Minister for Foreign Affairs that this last article will be objected to by the German Government, that the latter will insist on securing the

reversion of the concession, and that she will press for the earlier completion of the line in the event of the Russian Government's deciding to construct it themselves.

As regards the retention of the term "Konieh-Bagdad Railway," it seemed useless to press M. Nératof further on the point. I therefore confined myself to hoping that he would make it quite clear to Count Pourtales that the German Government could not expect any further concessions.

[26743]

No. 8.

Sir Edward Grey to Mr. Marling.

(No. 269. Confidential.)

(Telegraphic.) P.

NATIONAL Bank.

Please refer to your despatch No. 400 of the 3rd July.

If Ridaat Pasha mentions the subject you are authorised to state that His Majesty's Government would certainly do nothing to hamper the bank, and are anxious for its success generally.

We should in fact be glad if the bank were successful in obtaining any of the concessions it is working for, and, subject to the concurrence of Russian Government, we would be ready to support it officially as regards Black Sea ports. The bank, however, has not asked us to approach the Russian Government on their behalf in connection with these ports.

Foreign Office, July 11, 1911.

[27548]

No. 9.

Memorandum communicated to M. Cambon, July 11, 1911.

THE National Bank of Turkey have been negotiating with the Ottoman Government for some time regarding the ports of Samsun and Trebizond. The Turkish Government are inclined to enter into an arrangement for the consideration of proposals for the construction and working of these ports, and the National Bank are practically in agreement with the Turkish Government regarding the terms of the contract. The matter has, however, been delayed owing to the Grand Vizier's absence.

Messrs. Hersent and Schneider some time ago made proposals to the Government for the construction of a large number of ports in Turkey, including among others Samsun and Trebizond. For various reasons the Ottoman Government were unable to accept these proposals, and the scheme was definitely rejected before the negotiations with the National Bank began.

Messrs. Hersent and Schneider have now sent a representative to Constantinople. He is claiming on the basis of their former proposals, that they have a prior claim as regards these ports.

M. Révoil has written a letter informing the Turkish Government that if a contract for these ports were signed with the National Bank it would produce a deplorable effect in France, and would unfavourably influence the negotiations for the large railway schemes. The letter from the Minister for Finance was couched in forcible and emphatic language.

The French Ambassador has spoken to the Grand Vizier in the sense of M. Révoil's letter, and he has stated in addition that the ports of Samsun and Trebizond were included in the discussions between himself and the Grand Vizier relating to the railway scheme. The Grand Vizier, however, states that the ports of Samsun and Trebizond were not included in these discussions.

[26493]

No. 10.

Mr. Mallet to Mr. Greenway.

Dear Mr. Greenway,

Foreign Office, July 11, 1911.

I AM obliged to you for your letter of the 15th June enclosing the draft of a telegram which you propose to send to Mr. David Brown of the Imperial Bank of

Persia at Tehran, instructing him to apply the name of the Persian Railway Syndicate for a concession to construct rail- in Southern Persia

It is observed that the proposed railways are to be light railways of 2 ft. 6 in. gauge. The question of gauge is of importance, especially on the Abbas-Kerman line, which will be a valuable of the Tra-

It is also noticed that no mention is by rail between Bunder Abbas and Mohammerah, the proposed line from Bunder Abbas to Shiraz being apparently intended to stop at the latter place. His Majesty's Government attach great importance to the establishment of railway connection between Bunder Abbas and Mohammerah, or at all events to securing the possibility of establishing it. Sir E. Grey therefore considers that this concession should also be applied for, even though the line may not be immediately constructed.

It is proposed in the draft telegram that the interest on the bonds issued to provide capital for the enterprise should be partly secured on a special increase of 4 per cent. in the customs duties of the southern ports of Persia. His Majesty's Government cannot pledge themselves to agree to this increase, which would involve the imposition of a further burden on trade, the greater part of which is British and British Indian, and which, as it would require the consent of other Powers, would give them an opportunity of placing difficulties in the way of the undertaking. Sir E. Grey would accordingly request that this point may be omitted from the telegram, and would suggest that the newly-appointed American Treasurer-General or his assistants might be able to devise some alternative form of security.

Subject to the foregoing conditions, Sir E. Grey sees nothing to object to in the terms of the draft telegram.

I am, &c.
LOUIS MALLE.

[25433.]

No. 11.

Foreign Office to India Office.

Sir,

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 29th ultimo relative to the proposed application by the Persian Railway Syndicate to the Persian Government for a concession for the construction of railways in Southern Persia.

I am to inform you in reply that Sir Edward Grey shares the view of the Ministry of Crown that it is unnecessary for His Majesty's Government to engage in a discussion on the subject with the Russian Government at present, but he considers that it will be proper to consult them before construction is actually begun, since His Majesty's Government can hardly regard themselves as absolved from their undertakings merely because they are neither applying themselves nor actively supporting the syndicate's application for the concession. Sir Edward Grey feels that omission to consult the Russian Government eventually would be regarded rightly by them as disingenuous on the part of His Majesty's Government.

I am to transmit to you herewith copy of the reply returned to Mr. Greenway's letter of the 15th inst. in which the Government have expressed their views on the views expressed in your letter, and has acted accordingly.

I am, &c.
LOUIS MALLE.

[27469]

No. 12.

Sir H. Babington Smith to Sir A. Nicolson.—(Received July 13.)

Dear Sir Arthur,

Constantinople, July 8, 1911.

IN continuation of my letters of the 3rd July, I write to say that, in spite of French opposition, the Government appear inclined to conclude the matter of the ports

• • •

of Samsum and Trebizond with us. The Minister of Public Works has told me to-day that this is their intention, but that they prefer to sign our contract at the same time as the "contrat d'études," which they hope very shortly to conclude with the French group which is negotiating about railways in North-Eastern Anatolia.

In this country no business can be regarded as finished until the documents are actually signed, but, unless further difficulties arise, I hope that this may go through.

Yours sincerely,

H. BABINGTON SMITH.

[27460]

No. 13.

Memorandum communicated by M. Cambon, July 13, 1911.

Le memorandum remis hier, 11 juillet, à l'Ambassadeur de France au sujet de la convention de 1863, a été communiqué à l'Ambassade de France à Constantinople et le Gouvernement ottoman, bien que le Gouvernement britannique ait été informé de ces

M. Paul Cambon croit donc devoir rappeler notamment que l'ex-Ministre des Finances turc, Djavid Bey, avait suggéré à M. Rouppard, vers la fin de 1910, la possibilité de donner à la France une compensation à la concession du Bagdad sous la forme d'un droit de transit à travers l'Asie et en Égypte; qu'à la suite

de la politique des compensations tant pour l'Asie que pour la France fut l'objet des conversations entre Londres et Paris, le 3 février, les propositions de Djavid Bey à M. Rouppard; qu'il lui exposa, le 3 février, les propositions de Djavid Bey à M. Rouppard; qu'il

du côté de la Mer Noire et de l'Asie-Mineure, l'autre du côté du Golfe Persique qu'ils s'étaient mutuellement promis de ne pas accorder l'augmentation des droits de

reclament, et que M. Rouppard, autorisé par le Gouvernement de la République, a poursuivi depuis ses pourparlers avec le Ministre des Finances.

L'Ambassadeur de France à Constantinople avait expressément posé comme condition de l'arrangement à intervenir que la concession des ports, auxquels aboutissent les chemins de fer en négociation, serait donnée aux concessionnaires de ces chemins de fer ou à des Français en relations avec ces concessionnaires; tel était le cas des ports de Samsum et de Trebizonde qui devaient être les terminus de deux lignes dont M. Rouppard demandait la concession. C'est sur ces bases que M. Rouppard discutait avec Djavid Bey des projets qui furent soumis au Conseil des Ministres le 10 avril dernier. Djavid Bey, ayant été remplacé comme Ministre des Finances par Nail Bey, la négociation, comprenant toujours les ports de Samsum et de

Le Gouvernement français a donc été très surpris d'apprendre que la concession lui avait été accordée sans qu'il eût été informé de la décision. Il a été encore surpris d'apprendre que le Grand Vizir prétendait avoir ignoré des propositions

Affaires Étrangères, et dont le Conseil ottoman des Ministres avait été informé; il ne saurait admettre de semblables procédés.

Il est d'ailleurs très regrettable de voir la Banque nationale s'attacher à des projets contraires aux intérêts français, alors que le Gouvernement français eût été disposé à prêter son concours à toute entreprise poursuivie par des Anglais sur d'autres terrains.

Ambassade de France, Londres,
le 12 juillet, 1911.

[27323]

No. 14.

Sir Edward Grey to Sir G. Buchanan.

(No. 335)

(Telegraphic.) P

Foreign Office, July 13, 1911

POTSDAM meeting and Russo-German agreement

M. Neratof that article 3, as now amended, does not tally with M. Sazonow's categorical [1510]

assurance that the agreement did not apply to that part of the Bagdad Railway in of Bagdad. You may say, however, that His Majesty's Government do not point as long as there is no room for misunderstanding as to Russian freedom in regard to customs increase. Germany might embarrass future negotiations by raising this point if it has not been made clear to her, as appears to be the case.

27632]

No. 15.

Sir G. Buchanan to Sir Edward Grey.—(Received July 14.)

St. Petersburg, July 11, 1911.

RUSSO-GERMAN negotiations. Please refer to your telegram No. 335 of yesterday.

The revised text of the draft agreement was to-day handed to Count Pourtales by In making this communication, the latter explained that the 3rd article Russia in any engagement whatsoever as regards the increase of the

"Bagdad Railway," M. Neratof informed Count Pourtales that he must interpret it as the railway terminating at Bagdad. This was the meaning put on it by Russia certain as to what had really been the intention of M. Sazonow on this point before the time came for the agreement to be signed.

[27759]

No. 16

Messrs. Baring Brothers and Co. to Sir A. Nicolson.—(Received July 15.)

Dear Sir Arthur Nicolson,

8, Bishopsgate, London, July 13, 1911.

WHEN calling on you this morning on behalf of Lord Revelstoke, Lord Errington took the opportunity of submitting to you the letter received by Lord Revelstoke from Russian Minister of Finance, announcing the visit to this country of the Russian promoters of the scheme for a trans-continental railway through Persia.

In relating to you the nature of the conversation held between these Russian gentlemen, whose names are already known to you, and ourselves, Lord Errington had occasion to mention that the Russian Government had expressed their unwillingness to afford any direct financial guarantee towards the furthering of the scheme in question.

In this respect we understand that the British Government would adopt a similar attitude, and decline to give any direct financial guarantee for railway construction in Persia.

At the same time, mention was made of the fact that the Russian Government had informed the promoters that they were prepared to consider the question of an indirect guarantee to the scheme in contemplation by reserving a certain proportion of on lines in Russian territory, which would necessarily accrue from the opening of a

It was suggested to us by the Russian gentlemen now in London that in view of the interest with which the Government of India may regard this scheme, they may see their way to expressing an opinion as to any steps they may be prepared to take in furthering the projected line, which has been brought to our notice by our Russian friends, in deference to whose wishes we venture to approach you in this matter.

We are, &c.

(For Baring Brothers and Co., Limited),
CECIL BARING, Director

27839

No. 17

Sir G. Buchanan to Sir Edward Grey.—(Received July 17.)

Secret.

St. Petersburg, July 12, 1911.

I have already had the honour to inform you by telegraph, the Acting Minister yesterday read to me the amended text of the Russo-German agreement. His Excellency proposes to hand to the German Ambassador on

like the revised draft drawn up by M. Sazonow, on which I reported in No. 44, Secret, of the 21st February last, of a preamble and four articles; and the following is, to the best of my recollection, a summary of its essential points:—

The preamble records the principle of commercial equality, recognises Russia's special political interests in Persia, and ascribes a purely commercial character to the interests of Germany.

Article 1. Germany declares that she will not seek for concessions for railways, telegraphs, and roads to the north of a line drawn from Kahriz-Shirin, and passing through Isfahan, Yazd, and Kahluk to the Afghan frontier at the latitude of Ghazak.

Article 2 is to the following effect:—

The Russian Government, having the intention of securing from the Government of the Shah the concession for the construction of a system of railways in the north of Persia engages to obtain simultaneously a concession for a linking-up line for the Sadzgh Khanikin line, to commence its construction within two years of the day on which that branch of the Komeh Bagdad Railway shall have been completed, and to complete the said construction within a further term of four years. The Russian Government is free to fix the track of this linking-up line, while taking into consideration any desiderata which Germany may put forward, and both Governments agree that there are to be no differential rates on either of the two lines. In the event of Germany unwilling to commence the construction of the line within the prescribed term of two years, she reserves the right of renouncing the concession.

Article 3. Russia engages not to oppose the realisation of the Bagdad Railway, nor to place obstacles in the way of the participation of foreign capital; but no pecuniary nor economic sacrifices are to be demanded of her.

Germany engages to take no decision with regard to the construction of railways in the zone situated between the Bagdad line and the Russian and Persian frontiers to the north of Khanikin without a previous understanding with Russia.

Article 4 is virtually explanatory of the concluding sentence of article 2.

In the event of her renouncing the concession, Russia reserves the right to cede it to a foreign financial syndicate, to participate in the enterprise to the extent which she may desire, to enjoy all the same privileges as the constructor or the most favoured nation; and to have the right to purchase the line when completed at cost price.

The principal concessions made to Germany by M. Neratof are the omission of the word "Komeh" before "Bagdad Railway" in the third article, and the toning down of the commitments taken by Germany with reference to the railways to the north of Kahriz-Shirin. M. Neratof has modified the articles dealing with the Tehran Khanikin line in a sense which is certainly favourable to Russia, as Germany was demanding that its construction should be completed within two years from the day of the line from Sadzgh reaching Khanikin. If his Excellency adheres to his intention to inform the German Ambassador that his consent to the omission of the word "Komeh" is conditional on the acceptance by Germany of the rest of the agreement, and if Germany consents to this, M. Neratof will, I think, have good reason to be satisfied with this arrangement from the Russian point of view.

I confined myself to expressing the hope that the agreement had now attained its final shape, and that he would not listen to any fresh demands on Germany's part. His Excellency replied that Germany would probably raise objections to the terms of the second and fourth articles, as she would no doubt be anxious to obtain the reversion of the concession for the line from Khanikin to the north. He gave me, however, to understand that he would not consent to any but verbal alterations.

On my thanking his Excellency for his courteous communication, and on my

wishing him every success in bringing the negotiations to a speedy termination, M. Neratof enquired whether I saw any particular advantage in the agreement being signed without further delay. I replied that it seemed to me that the conversations had lasted quite long enough, and that the signature of the agreement in its present form would, I should have thought, be a considerable relief to the Russian Government. M. Neratof appeared to be quite indifferent as to whether the negotiations were signed or not, and his indifference may perhaps be explained by the difficulties with which the Russian Government will be confronted when the time comes for securing the capital required for the construction of the Khanikin-Tehran railway.

C. DEWEY BUCHANAN

Anglo-Peruvian Oil Company to Foreign Office.—(Received July 18.

C. GREENSWAY

Enclosure in No. 18.

will be prepared to enter into contracts for, and undertake construction of, the following

other countries, be worked under their supervision until such time as the Persian Government were in a position to pay off the loans.

To initiate the latter, it might be arranged that the loan or loans in respect of each complete railway should be earmarked, thus giving the Persian Government the opportunity of taking over and administering each railway as its loan (or loans) is liquidated.

[28227]

No. 19.

M. Goukassow to Sir A. Nicholson. (Received July 18.)

Sir, 3 and 4, Lime Street Square, London, July 17, 1911.

I beg to enclose herewith a memorandum on a trunk railway which has been drawn up at your suggestion. I am at present in London deputed for negotiations in England.

As my friends intend to leave London on Wednesday morning, they request you to give them an appointment to-day or to-morrow, in order to report to you on the progress of their work here.

I also request you on behalf of my friends as the only representative of the Russian Government should be addressed to the above (telephone 3160 Victoria).

I beg to hand you herewith ten copies of "Brief Notes on the Preliminary Expenses for the Construction of a Trans-continental Railway through Persia."

I remain, &c.

ARR. GOUKASSOW

Enclosure in No. 19.

M. Homiakoff to Sir A. Nicholson.

July 17, 1911.

Sir, THE rapid development of civilization in Central Asia and the need of better communication with Europe has caused public opinion in Russia to recognize clearly the necessity of constructing an overland route through Persia to connect the existing railway systems of Europe with those of the rich and densely populated regions of India and South Eastern Asia.

With this object in view a Russian committee has been formed in Russia (1) to study the possibility of the construction of such a route; and (2) to ascertain the views of the Russian Government on the subject. After a close investigation based on data including most rules of the Ministry concerned the Russian committee have come to the conclusion that the trunk line through Persia must be constructed by a single company, in which the Russian and English interests shall predominate, and in which no other than English or Russian may or may not be admitted according to the agreement with the British Government and with the English committee, which should be formed.

That it is an indispensable condition for the commercial success of the railway, that the line through Persia should be as short and straight as possible, in order to enable it to compete both with other existing means of transit and possible future lines. With this object in view the committee have decided on a route to pass from Baku through Astara, Ichran, and Kerman to Nushiki. But it is clearly understood that if, from the British point of view, Nushiki be found unsuitable as the point of junction with the Indian railway system, and if Kurrachee be recommended instead, the alteration could be adopted without affecting the commercial success of the line, providing, however, that the section between Kerman and Kurrachee should run as far as is practicable in a north-easterly direction without any unnecessary deviations which would lengthen the line as a whole.

The Russian committee have also studied the financial prospects of such a line, have made a rough estimate of the cost of construction, and have examined the possible effect of such a line on the increase of profits for the Russian railway system.

* Not printed.

The conclusions which the committee have arrived in this respect are embodied in a substantial report, a brief extract of which has been handed to the representative of the British Government and to two of the leading bankers in London.

Having secured the approval of the Russian Government, the Russian committee have at the same time interested all the leading Russian banks, and they (the banks) have subscribed a capital of 300,000 roubles for further preliminary investigation.

The Russian committee have now concluded the first part of the task and have come to the conclusion, that the moment has arrived when a "société d'étude" should be formed including representatives of at least the two most concerned nations outside Persia, i.e., England and India. With this object in view, the Russian committee have deputed the undersigned to London and to approach both the British Government and the financiers of London in order to form jointly such a "société d'études" for further preliminary investigation, for negotiations with the Persian Government to obtain the sanction of the company for the construction.

As mentioned above, we have approached the leading financial houses and the most influential members of England who stand for a closer relationship between the two countries and their most favourable attitude towards the realization of our project.

Any decision towards the formation of a "société d'études" could be undertaken, only when some points of importance should be settled. Firstly, the question of the final alignment of the section between Kerman and Kurrachee, and secondly, whether the British Government or the Government of India would to any extent be prepared to support the promoters on the English side in the same way as the Russian Government and the Russian banks are prepared to support the Russian promoters of the scheme. Our friends here have pointed out to us that whereas we in Russia have already expended 300,000 roubles for our share of the preliminary expenses (which sum includes further preliminary investigation technical survey, and the expenses for the formation of the company, and whereas we can reckon on some support from the Russian Government, as pointed out in our printed report, they are unable as yet to gauge the extent of support which the British Government or the Government of India would be prepared to give them in case they decided to collaborate with us. This being the position at the moment, the undersigned are of opinion that at this stage the co-operation of the British Government is highly desirable, and we beg to submit the matter to your consideration.

M. HOMIAKOFF

[27549]

Sir Edward Grey to Sir G. Buchanan

(No. 125. Secret.)

Foreign Office

Sir,

WITH reference to my despatch No. 129 of the 10th May, relative to the proposed Trans-Persian Railway, I have to inform your Excellency that M. Homiakoff, accompanied by M. Bark, of the Volga-Kaspi Bank, and M. Goukassow, called at this Office on the 11th instant, and were received by Sir A. Nicholson.

M. Homiakoff, who had reached London on the previous night, stated that he had come to negotiate with a British group formed for the purpose of putting the project into execution. He had as yet seen no financiers, but intended to visit Lord Revelstoke (at the instance of the Russian Minister of Finance), Mr. Tritton (of Messrs. Barclay and Company), and Mr. Hoth Jackson. He understood that there would be difficulty in interesting British financiers in the scheme if the line were to follow the trace laid down by His Majesty's Government, as it would be too long and too costly.

Sir A. Nicholson informed M. Homiakoff that the question had been carefully studied by several departments here and by the Government of India, and that it was the line as laid down as the result of these enquiries to which His Majesty's Government were prepared to give their approval. If, after consultation with the financiers, he or they had any observations to make, His Majesty's Government would be ready to receive such observations, but he doubted whether any modification of these views already expressed would be obtained, and, in any case, the various departments con-

earned and the Government of India would have again to be consulted, which would take a considerable time.

M. Floumakoff said that he hoped to see Sir A. Nicolson again after having visited financiers here.

I am, &c.
H. GREY

[28359]

No. 2

Mr. Huth Jackson to Sir A. Nicolson.—Received July 19

Dear Sir Arthur,

12, Tokenhouse Yard, July 18, 1911.

M. P. L. BARK, Managing Director of the Volga-Kama Commercial Bank, and M. A. O. Goukassow asked me to give them another interview, and I have seen them this afternoon.

They told me that they had seen Lord Revelstoke, and had also sent you a memorandum upon the Persian Railway scheme at your request. They particularly wished to have my views as to the possibility of forming a London group prepared to join with Russian and French groups in examining the whole project, and sharing in the cost of the examination—which is estimated at 120,000.

In my reply I began by reminding them of what I had said on a previous occasion—and what I believe that you had also told them—that I was not a financier, and that, therefore, neither I nor my firm would participate in the scheme. They replied that they fully understood this.

I went on to say that, looking at the matter as a business proposition, it would in my opinion be impossible to form any such financial group in London as was required, unless

1. The actual route for the railway had been approved both by the Russian and the British and Indian Governments—which was I understood at present not the case.

2. Unless there were satisfactory and sufficient guarantees forthcoming, which would enable the necessary funds to build the railway to be raised later.

They then asked me whether I thought the British or Indian Governments would be willing to give any guarantee. I replied that I thought it extremely unlikely that the British Government would, under any circumstances, give a guarantee, while, even if the Indian Government were to entertain the idea, they would be sure to limit their guarantee to capital spent on that portion of the railway which passed through Indian territory. I was careful to add that the opinion I was giving was only a personal one, and was not to be considered as applying to anyone else but myself. The interview ended.

I am afraid these Russian gentlemen are disappointed at the little encouragement I have received.

I believe me, &c.

FRED. HUTH JACKSON

[28292]

Note communicated by Tewfik Pasha, July 19, 1911

La Compagnie anglaise de Pétrole a débarqué en vue de Brin (Baroni) sur la côte de l'île Abadan (Habadan), une bouée dans le Chatt-el-Arab, et qu'elle n'est pas la même que celle d'une autre [sic].

Ces bouées causeront nombre de difficultés et au point de vue de la navigation et dans les relations internationales avec la Grande-Bretagne.

D'autre part, le premier drogman de l'Ambassade d'Angleterre à Constantinople informe que les bouées placées aux embouchures du Chatt-el-Arab se trouvent en dehors des eaux territoriales ottomanes et que les autorités locales ne peuvent les enlever, le Gouvernement britannique envoie un bateau pour les enlever, en même temps, qu'"en dehors des eaux territoriales" signifie "au large de la terre".

Or, l'article 39 de l'Acte général de Bruxelles a implicitement fixé la zone des eaux territoriales à 5 milles de la côte.

Si c'est le désir de régulariser la navigation du fleuve, il serait loisible au

[26257]

Mr. Marling to Sir Edward Grey.—(Received July 19.)

No. 177.)

(Telegraphic.) R.

Tehran, July 18, 1911.

CONSTRUCTION of Tretazond-Samsoun ports.

Please refer to my despatch No. 460.

Grand Vizier, having been informed by National Bank that they are prepared

He promised bank yesterday to sign draft agreement simultaneously with signature of big French loan for public works.

The bank's agreement provides for "contrats d'étude" carrying preferential rights.

The Chamber's approval is necessary for both arrangements.

Gouvernement de Sa Majesté britannique de s'entendre avec la Sublime Porte pour faire le nécessaire à cet effet. Autrement, son intervention dans les eaux ottomanes du Chant-el-Arab, que l'on peut considérer, tout au plus, comme indivis avec le Gouvernement persan, ne saurait se justifier.

Ambassade Impériale ottomane, Londres,
le 19 juillet, 1911

[25701]

No. 23.

Sir Edward Grey to Sir G. Buchanan

(N. I. Secret.)

Foreign Office, July 19, 1911

I HAVE received Mr. O'Beirne's despatch No. 181, Secret, of the 28th ultimo, relative to the proposed Trans-Persian Railway.

With regard to the suggestion contained in this despatch that His Majesty's Embassy should receive instructions to represent to the Russian Government the necessity of returning a reply to your Excellency's communication of the 15th May 1911, stating the conditions on which His Majesty's Government would be prepared to assent to the scheme in principle, I have to observe that His Majesty's Government are committed to the project only in the same degree as the Russian Government, and are to make the same reserve as that formulated by the Russian Acting Minister for Foreign Affairs as reported in the penultimate paragraph of the despatch.

Accordingly, as to the Russian Government the right to make conditions, agreeing to the actual execution of the project, while His Majesty's Government of course retain the right to make this agreement depend upon the fulfilment of the condition which they have already made, and must be free to revise their conditions should Russia make new conditions that alter the nature of the project.

M. Seretol proposes to await the completion of the task undertaken by the Société d'Études before proceeding to negotiation on questions of detail, and I do not consider it necessary that your Excellency should press the Russian Government for a reply to the communication referred to till the Société d'Études has made its report upon the general practicability of the scheme.

I am, &c
E. GREY.

[28487]

No. 24

Anglo-Persian Oil Company to Foreign Office.—(Received July 20.)

Winchester House, Old Broad Street, London,
July 19, 1911

Sir,

I HAVE the honour to enclose copy of a telegram which I have just received from our agent in Tehran re Persian Railway.

I have, &c
C. GREENWAY.

Enclosure in No. 24

Mr. Brown to Mr. Greenway

Tehran, July 19, 1911.

(Telegraphic.)

RECENT expressed approval of railways syndicate(s) (in) their (his) opinion Persian Government could continue line to Hamadan. He suggested we should select(s) (with) Isfahan with Kheramabad and/or Kerman or Shiraz. Treasurer states that southern customs already fully mortgaged, and inland revenues at least equally worthless as a (an) security(ies); but as soon as he has power in order he will be able provide ample security(ies) for railway(s), and will give his full support to our proposals.

[28518]

Not communicated by M. Sécastopulo, July 20, 1911.

NOUS n'avons pas d'objection au choix de Karsachi comme terminus du Chemin de fer indo-européen.
Nous sommes d'avis que pour l'entrée de la ligne dans la zone allemande à cause de la courbe de l'alignement défavorable que ne nous paraît pas de rencontrer cette voie auprès de Karsachi; de plus, la voie de Bender Abi présenterait le grave inconvénient de rapprocher la ligne projetée du rayon allemand.

Nous réservons pour un examen ultérieur les autres points du memorandum anglais.

Ambassade Impériale de Russie, Londres,
le 20 juillet, 1911.

[27759]

No. 26.

Foreign Office to Messrs. Baring Brothers

Gentlemen,

Foreign Office, July 20, 1911

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 14th instant relative to the question of financial guarantees for railway construction in Persia.

I am to inform you, in reply, that a copy of your letter has been forwarded to the India Office, and the request that the views of the Government of India may be obtained as to the feasibility of any steps on their part in the direction desired by you.

I am, &c

A. NICHOLSON

28548]

No. 27

Sir F. Bertie to Sir Edward Grey.—(Received July 21)

Paris, July 17, 1911

Excelsior
operation at Constantinople
but several attempts had been
made, but they had failed, owing
to the opposition of the German
Government, which had been led to insist on the
condition that the loan should be guaranteed by the
German Government.

had driven the Porte to seek money in Germany. It had obtained it there at a high price, it was true, than it would have paid for a loan in Paris, but without the political conditions and concessions to the Ottoman Bank which the French Government had insisted on. M. Laurent, a French financial expert whose services had been engaged by the Turkish Government as their financial adviser, had been led to insist on the condition that the loan should be guaranteed by the German Government.

had furnished the curious spectacle of an adviser acting in opposition to the views between the Ministry for Foreign Affairs and the Ministry of Finance. A quotation for a loan by a French group other than the Ottoman Bank was refused by the Ministry of Finance except on condition that the loan should be guaranteed by the German Government.

regarded as excessive, and a loan from France not provided by German banks under the auspices of the German Government. German interests had benefited from the loan, and Germany had posed as the friend in need, and

I have expressed to M. de Selves the opinion that the French Government

rather overrated the effect of the power which the Minister of Finance has to withhold his consent to a quotation in the Paris market of loans or undertakings to which he sees political objections, or to the bringing out of undertakings to which he desires to see political objections, or to the bringing out of undertakings to which he desires to see political objections.

had been for a long time under the impression that by refusing to consent to a quotation for the construction of the Bagdad Railway they would be able to prevent the company from the company terms for French and British participation in the construction of the railway. This refusal of a quotation, though it delayed the action and was inconvenient to the company, did not prevent French investment in the undertaking. The Ottoman Bank, though it was for a long time invested in the undertaking, had an agreement which still existed by which there was a mutual understanding between it and the Deutsche Bank (also the Bagdad Railway Company) to give to one another a 30 per cent. option of all enterprises undertaken in Turkey. The Ottoman Bank therefore had an option of 30 per cent. in the Bagdad Railway. As the shares were not quoted on the Bourse they passed in Paris from bank to bank and from hand to hand, for there were French investors who were ready to put their money into the concern, notwithstanding the prohibition of the French Government of a quotation. Shares were also purchased through Swiss and Belgian banks. There was also another and a roundabout way in which French money assisted the construction of the railway, viz., through the purchase by French investors of shares in German enterprises which the German holders sold in order to invest in the Bagdad Railway.

M. de Selves said that he quite appreciated how shortsighted had been the attitude of giving unlimited support to the Ottoman Bank, and, so far as he was concerned, he would be very glad to see Anglo-French co-operation at Constantinople in financial as well as political questions.

I have, &c.

FRANCIS BERTIE

[28884]

No. 28.

Mr. Marling to Sir Edward Grey.—(Received July 24.)

No. 500.)

Thessalonica, July 19, 1911

Sir,

WITH reference to my telegram No. 177 of yesterday, I have the honour to report that the negotiations for the public works loan of £ T. 25,000,000 with the Ottoman Bank and the Régie générale have been pushed on very actively of late, and that a final agreement, subject of course to the approval of Parliament, may be reached at an early date. I understand that about four-fifths of the product of the loan, which may be expected to be issued at the price of about 81 net, will be devoted to public works, the following list of which, taken from the "Jeune Turc" of yesterday, so Hristo Pasha informed me, approximately accurate:—

In Roumelia—

1. Prishtina-Perlepe Dobro Mat St. Jean de Medun
2. Monastir-Rovani-Ochrida-Sofidje-Jamnia-Tchamchia
3. Ochrida-Debra
4. Monastir-Istib-Komanova-Bulgarian frontier.
5. Carafeta-Greek frontier

In Anato

1. Angora-Sivas
2. Angora-Cesarea and the Russian frontier lines Trebizond-Erzoroun-Kizilirmak

The agreement provides for a "contrat d'études" for these undertakings with preferential rights for eventual construction. The remainder of the loan, which would amount in round figures to some £ T. 4,000,000, will be left at the disposal of the Turkish Treasury, to cover the deficit on the budget and any other purpose.

As regards the construction of the ports of Trebizond and Samson, I learn from a director of the National Bank that the bank had informed the Grand Vizier that they were prepared to offer participation in these works to the French, and Mr. Whittall believed that it was in consequence of this offer, which the Grand Vizier had no doubt communicated to the Ottoman Bank, that the French opposition to the National Bank had been withdrawn, and that Hakkı Pasha had been able to promise Sir Henry

20
Babington Smith, on the 17th instant, that he would sign the contract with the National Bank for the harbour works simultaneously with the conclusion of the French

contract with the National Bank is, like the French transaction, subject to the approval of Parliament.

I enclose a copy of the draft thereof, which has been kindly furnished me by Sir Henry Babington Smith."

I have, &
CHARLES M. MARLING

29103]

No. 29.

Anglo-Persian Oil Company to Foreign Office — (Received July 21)

Windsor House, Old Broad Street, London, E.C. 4.
July 22, 1911

Dear Mr. Mallet,

I beg to acknowledge receipt of your letter of the 11th instant, containing Sir Edward Grey's comments upon the draft telegram to Mr. David Brown which I forwarded to you on the 15th ultimo.

The various alterations suggested by Sir Edward have, as you will have seen from the copy I have sent you of the memorandum handed to His Highness Prince Abbas-Sultani, all been adopted.

No reference was made in that memorandum to the gauge, but I have instructed Mr. Brown to leave this question open, as in the general opinion a 2 ft 6 in. gauge is required for the requirements of the country, and either the

I was approached by Mr. Ghakaw, a member of the Russian Trans-Persian Railway, with a view to securing the co-operation of the British Government when you can spare me a few minutes I shall be glad to have an interview with you for the purpose of discussing Mr. Ghakaw's proposals.

Yours faithfully,
GREENWAY

[28215]

No. 3.

Letter to India Office

Sir,

Foreign Office, July 24, 1911

With reference to Mr. Mallet's letter of the 11th instant, relative to schemes of railway construction in Persia, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a letter from the managing director of the Anglo-Persian Oil Company, enclosing a memorandum relative to the projects of the Persian railways syndicate in this connection, which has been handed to the Persian special representative at the Commission and the Persian Minister at this court.

The Marquess of Crewe will observe that the syndicate propose eventually to extend three of the suggested lines to points within, or on the border of, the Russian sphere of influence.

So far as Sir Edward Grey is aware, these proposals are now made for the first time, and he is disposed, if Lord Crewe concurs, to point out to Mr. Greenway that while His Majesty's Government understand that there is no intention of applying to the Russian Government for concessions in respect of these extensions at present could not authorise such an application by a British group at any time without previous consent of the Russian Government.

I am, &
A. NICOLSON

[28296]

No. 31.

Letter to Sir A. Nicolson. — (Received July 21)

Dear Sir Arthur,

Constantinople, July 21, 1911

MANY thanks for your letter of the 10th July. We are very much obliged for the action you have taken and for the communication which you have made to Mr. Cambon.

Probably there has not been time yet for the effects to make their way to Constantinople. I saw the Grand Vizier yesterday, and he told me that Mr. Bonnard had been with him that afternoon, and had renewed his representations about the ports of Samosun and Trabzon, emphasising again the "bad impression" which would be produced in Paris.

In spite of this opposition, the Ottoman Government still adhere to their decision to conclude the matter with us, but Hakk Pasha says that he would like to defer signing our contract until the arrangements with the French regarding the railway projects are also ready for signature. The matter is not entirely concluded, but he expects that it will be finished shortly, and that certain documents will be signed. These documents, I understand are of a nature of *contrats d'études* and also certain

other documents, I presume, referring to the financial side of the question.

We have now signed the contract regarding the financial arrangement for the purchase of a warship in England. The final construction contract still remains to be signed, and our financial arrangements are contingent on the signature of this by the end of the present month. The payments are extended over five years, and the Government give us treasury bills. The greater part of these bills are retained by ourselves and the constructing firms, and the remainder have been placed in London.

The Grand Vizier spoke with anxiety about the delay in the British answer to the Hedgcock proposals. He said that the 4 per cent. on the customs was becoming a matter of great urgency for them, and he hinted at the possibility of their being obliged to act without waiting for the answer of the Powers.

I am in Constantinople to-morrow, and arrive in London on the 24th instant. I shall be in London for a week or so before going to Scotland, and I hope that I may have the pleasure of seeing you, if you are not away.

I have, &c.

H. BABINGTON SMITH

P.S.—Since dictating the above, I have learned, on fairly good authority, that the German chargé d'affaires is instructed to tell the Turkish Government that the German Government to the 4 per cent. was not intended to permit enterprises undertaken by the country only. This refers to their desire to have a share in the large French railway schemes.

H. B. S.

[28227]

No. 32.

Letter to Mr. Goulkassov

Sir,

Foreign Office, July 26, 1911

I HAVE to acknowledge the receipt of your letter of the 17th instant, enclosing a memorandum respecting the projected Trans-Persian Railway and copies of a paper relative to the probable preliminary expenses of its construction.

As regards the chief points raised in the memorandum, viz. (1) the proposed change in the alignment of the railway and (2) the suggestion of a Government guarantee, I beg leave to inform you that reference has been made to the India Office with the request that the views of the Government of India on these questions may be ascertained.

With regard to the former question, the alignment proposed by His Majesty's Government was only decided on after careful consideration by the Government of India and by all the departments interested, and any suggestion for the substitution of a different one would have to be submitted to examination by all the same authorities.

I am to add that a letter has been addressed to Mr. Homakoff direct on the subject.

[1510]

G

and that your wishes as to the address of future communications will be complied with.

I am, &
A. NICOLSON

[28350]

Sir A. Nicolson to Mr. Huth Jackson

Dear Mr. Huth Jackson,

Foreign Office, July 26, 1911

I AM much obliged to you for your letter of the 18th July, giving particulars of

I have received the memorandum of which these g
will be sent to the India Office for reference to the Government

Yours sincerely,
A. NICOLSON

28518

Sir Edward Grey to Russian Embassy

HIS Majesty's Principal Secretary of State for Foreign Affairs has had the honour to receive the communication left at this Office by the First Secretary of the Russian Embassy on the 20th instant, proposing a change in the alignment adopted by His Majesty's Government for the proposed Trans-Persian Railway.

Sir E. Grey has the honour to inform M. Sévastopoulo, in

and that the whole matter will have to be re-examined by the same authorities before an answer can be returned to the proposal of the Russian Government

July 26, 1911

[29103]

No. 35.

Foreign Office to Anglo-Persian Oil Company

Dear Mr. Greenway,

Foreign Office, July 26, 1911

IN the absence of Mr. Mallet, who will be away till the end of the present month, I answer your letter to him of the 22nd July on the subject of railways in Persia.

I note the alterations introduced into your instructions to Mr. Brown, as shown in the memorandum handed by you to Ala es-Sultaneh and Mohdi Kh.

Mr. Mallet will, no doubt, be happy to receive you on his return, and in the meanwhile you may like to know that this Office has also been in correspondence with M. Gukassow, who is acting on behalf of the Russian promoters of the Trans-Persian railway schemes.

The Russian group are anxious that the alignment decided on by His Majesty's Government for the railway, and M. Gukassow has been told that these questions have been referred to the India Office in order that the views of the Government of India may be obtained. It was added that the proposed alignment was adopted only after careful consideration by the Government of India and all the departments interested, and that any suggestion for the substitution of a different one would have to be submitted to examination by all the same authorities.

Yours sincerely,
R. P. MAXWELL

[28518]

Foreign Office to India Office

Foreign Office, July 26, 1911

WITH reference to your letter of the 6th April last, relative to the proposed Trans-Persian Railway, I am directed by Secretary Sir Edward Grey to transmit to you herewith copies of correspondence on the subject,* from which it will be observed that both the Russian promoters of the scheme and the Russian Government object to the alignment adopted by His Majesty's Government for the portion of the line within the British sphere of influence in Persia, and that both those promoters and Messrs. D'Almeida and Co. (Limited) have also broached the question of a Gwara

request that the views of the Government of India may be obtained, and that the Marquess of Crewe will also favour Sir E. Grey with subject

I am, &
LOUIS MALLET

[28300]

No. 31

Memorandum communicated to the Turkish Ambassador, July 26, 1911

HIS Majesty's Government have not failed to give their careful attention to the important proposals contained in the memorandum of the 1st March last from the

These proposals, though they affect interests so closely interwoven, cannot be settled independently the one of the other, have, for the convenience, been set forth under three distinct headings

- (i) The Bagdad Railway question.
- (ii) The respective interests of Great Britain and Turkey in the region of the Persian Gulf.
- (iii) An increase from 11 per cent. to 15 per cent. ad valorem in the Turkish customs duties.

(i.) The Bagdad Railway Question.

On various occasions His Majesty's Government have indicated the conditions under which they would favour the participation of British capital in this enterprise, and, while it is not now proposed to recapitulate the earlier stages of this question, it may be recalled that in July 1910, as a result of prolonged discussions with the Ottoman Minister of Finance who was then in London, it was intimated that an arrangement securing to British interests a representation of 55 per cent. of the capital required for the Gulf sections of the line might be regarded as a satisfactory arrangement, and, having regard to the great preponderance of certain interests in other sections of the line, especially if the great extent of British trade in those regions and the vast tonnage of British shipping are borne in mind.

The arrangement laid before David Bey represented a large measure of the part of His Majesty's Government, they have received the answer now made by the Ottoman Government with some surprise.

The Turkish proposals for the final portions of the railway are that a new company should be formed, and that the capital should be divided between the Ottoman Government, who would receive 40 per cent. of the whole, and British, French, and German groups, who would each receive 20 per cent. The details of the financial arrangements are left for subsequent settlement between the parties interested.

His Majesty's Government regret that they are unable to accept these proposals. If a new company is formed for the construction and working of the railway south of Bagdad, and if it is to be constituted upon an international basis, His Majesty's

* Nos. 16, 19, 21, 25, 26, 32, 33, and 34.

Government can only accede to such an arrangement provided that British interests are represented in a degree at least equal to that of any other Power including Turkey, and, in order to effect this and with a view to emphasising the international and commercial character of the undertaking, they would suggest that Russia should be admitted to participation and that the percentage allotted to each country should be 20 per cent.

Assuming that this distribution is adopted, His Majesty's Government consider that a Convention should be concluded by the Powers concerned providing for the exclusion of differential rates on any railways in Asiatic Turkey, an equality of treatment in regard to transport facilities and cognate matters on the railway south of Bagdad and the conditions under which it is to be operated, for the introduction of approved financial arrangements tending to foster the development of traffic, and for guaranteeing that the interest in the enterprise of the several parties concerned shall be of lasting duration and not subject to termination on the expiry of the Bagdad Railway concession.

It would furthermore be necessary for the Ottoman Government to undertake formally not to impose river dues on British shipping or cargoes without the assent of His Majesty's Government.

There remains the question of the terminal port: having regard to the fact that important commercial interests are already established at Bassorah, His Majesty's Government cannot but feel that substantial advantages would accrue from the establishment of the terminus at that point; and they consider that the port should be constructed and controlled by the proposed new company in the interests of the unrestricted commerce of all nations. But if such an arrangement is adopted, they must stipulate that, in the event of the railway ever being prolonged to the Gulf, it must be brought to Koweit under conditions to be settled by agreement between Great Britain and Turkey alone, and a clause to that effect must be embodied along with these matters.

(ii) The respective Interests of Great Britain and Turkey in the Region of the Persian Gulf

His Majesty's Government are with much regret that no definition may be reached as to the respective position of the two Powers in the Persian Gulf.

His Majesty's Government are with much regret that no definition may be reached as to the respective position of the two Powers in the Persian Gulf. to the legitimate claims of the Turkish Empire, which they have ever recognised such claims on the littoral of the Persian Gulf as Ojeir, in the district of El Katif. South of this point there is no trace of Turkish power ever having been paramount; in 1870 the Ottoman Government did not entertain any intention of obtaining supremacy over Bahrain, Muscat or the independent tribes on the coast of the Persian Gulf, and it is only since that date that certain attempts have been made by the Ottoman Government to establish uniformity and other emblems of Turkish authority at points to the south of Ojeir.

The position of His Majesty's Government in regard to these tribes has been entirely different. With Bahrain they have had direct relations since 1805; these relations have found concrete expression in a series of treaties having as their objects the suppression of piracy and the protection of the succession to the throne; the protection of the pearl industry, of which Bahrain is the centre, and the territories of the Trucial Sheikhs His Majesty's Government have, of various treaties and agreements, conferred similar benefits for many years, and their policy in each case has been inspired by the importance of upholding maritime peace, of securing open markets to the coast, and of protecting the long-established interests of British India.

His Majesty's Government cannot acquiesce in any arrangement which restricts or undermines the authority which they have hitherto exercised with such beneficial results; they conceive that any extension of Turkish influence on the littoral of the Persian Gulf to the south of Ojeir would be prejudicial to these results and unsupported by any legitimate claims of Turkish sovereignty, and they have accordingly resisted any attempts which have been made to encroach upon these regions. They are therefore of opinion that any lasting settlement between the two Powers must provide for the definite renunciation by the Ottoman Govern-

ment of Bahrain and adjacent islands and of the whole of the Peninsula of El Kutr (including El Bidaa), where the Sheikh of Bahrain has important rights; and they consider that such a settlement would finally remove a perennial source of local friction.

The Ottoman Government express a wish to regularise the relations of Koweit towards the Ottoman Empire, and His Majesty's Government will gladly contribute to such a solution, on the understanding that their rights and claims are not to be regarded as prejudiced by any proposals which may now be put forward, should such proposals prove abortive.

As the Ottoman Government are aware, His Majesty's Government have never admitted that Koweit is under Turkish protection, and, inasmuch as some divergence of opinion was manifested between the two Governments as to the position there, a *modus vivendi* was reached in 1871, whereby the Ottoman Government agreed to give an assurance that, provided the Turkish Government abstained from sending troops to Koweit and respected the *status quo* there, they would not occupy or establish a British protectorate over it.

Such trade relations with the Sheikh of Koweit have existed for upwards of two centuries and, inasmuch as the place has attracted merchants from all quarters by the equity of its rule and the freedom of its trade, His Majesty's Government could not consent to any interference with the succession or with the internal administration or any infringement of the complete autonomy of the Sheikh. On the other hand, they are prepared to recognise Turkish suzerainty over Koweit, and to recognise the Sheikh as a Turkish *kaimakam*, provided in other respects the *status quo* is guaranteed and the validity of certain agreements which the Sheikh has concluded with the British Government is recognised, provided the islands of Warba and Bahian are admitted by Turkey to be within the confines of Koweit, and Turkish influence is withdrawn, and provided finally the Sheikh is admitted to the full and unimpaired enjoyment of any properties he may own or hereafter acquire.

Koweit would thus form a sort of *enclave* within, and forming part of, the Ottoman Empire, but enjoying complete self-government under Turkish suzerainty.

Certain difficulties have recently arisen in regard to the baggage of the Shait el-Arab. For a great number of years British shipping has, owing to its volume, been predominantly, and until recently almost exclusively, interested in these aids to navigation. For over fifty years the work of surveying, buoying, and lighting has been carried out by a British agency to the general satisfaction of all concerned.

In these circumstances, His Majesty's Government have some difficulty in appreciating why the Ottoman Government have taken exception to existing and long-standing arrangements; but, being desirous of dealing with the difficulty in a friendly and equitable manner, they have agreed to the formation of a small permanent commission, composed of a British and a Turkish representative with an engineer to be mutually agreed upon. This commission would superintend all matters pertaining to improvement of navigation, and it would likewise superintend the requisite periodical surveys.

As regards the rest of the Persian Gulf, on the other hand, the Turkish Government, so far as they are concerned, would recognise the right of Great Britain (a) to control surveying, lighting, buoying, and pilotage, (b) to police its waters, and (c) to conduct all quarantine arrangements.

(iii) The Increase from 11 per cent. to 15 per cent *ad valorem* in the Turkish Customs Duties

His Majesty's Government have consistently maintained that they could in no circumstances assent to the increase in the Turkish customs duties unless a previous and satisfactory settlement had been reached in regard to the Bagdad Railway question.

To this attitude they adhere; and while they consider that such a settlement might be promoted on the lines of an agreement such as has already been indicated, they regard a settlement confined to the railway as either unsatisfactory or it would leave in a state of uncertainty a number of questions closely affecting British interests in the regions of Mesopotamia and the Persian Gulf. His Majesty's Government are in principle favourable to railway construction in the region, but they cannot directly contribute to the completion of the Bagdad Railway if it is to introduce a further element of possible disturbance into an already disturbed region.

British rights and interests have, especially, do they feel that they could justify to British public opinion which will affect British trade,—amounting in Mesopotamia unless they have provided for a general settlement of political questions, the Ottoman Government themselves desire to bring unless they have obtained some compensation for and a guarantee against the continuance of arbitrary acts such as the demolition, on no adequate pretext, of British property in Bagdad.

If the Ottoman Government are prepared to enter upon a negotiation on these lines, and to concur, as already stipulated, in a removal of the existing veto on the borrowing powers of Egypt,—a measure which is called for in the interests of financial reform in Egypt,—His Majesty's Government will make it their first aim to contribute to an agreement likely to remove all causes of friction between the two Powers, and they will not only consent, subject to the concurrence of other Powers, and to the due observance of such agreement, to the further increase of Turkish customs for a fixed period, but they will likewise agree to the continued levy of the 3 per cent customs increase, which had only been sanctioned provisionally till the year 1914.

Foreign Office, July 29, 1911

30032]

No. 38

Mr. Marling to Sir Edward Grey.—(Received July 31)

WITH reference to my despatch No. 590 of the 19th July, I have the honour to transmit to you herewith an extract from the usually well-informed "Gazette" of the 18th instant,* containing some further information as to the details of railway construction in European Turkey.

One of the Danube-Adriatic Railway is stated to leave the Serbian frontier at, whence it passes through Prishtina to Prizrend, cutting across the Pakub-Mitrovica line not far from Prishtina. From Prizrend, instead of proceeding directly southwards to the coast, the line is to make a big bend southwards towards Durrës thence north-westward again to San Giovanni di Medua, and finally Scutari. The very roundabout route does not appear to have been selected on its merits, but, "Gazette Française" dryly observes, it must be chosen.

If a difficult problem, i.e., of finding a route to which no political objections can be found.

It will be remembered that Austrian opposition to the Danube-Adriatic scheme was largely founded on the fact that such a route would be a great advantage with the existing Pakub-Mitrovica line, and that the new route has therefore been calculated so as to offer, in point of distance, little or no difference in its favour.

Two other lines the routes for which have been discussed on are from Monastir to Yanina and the coast, passing through Bexue and Ochrida, and a line north-eastwards from Monastir to the Bulgarian frontier via Perlepe, Ishib, and Kitchana, while the linking up of the Danube-Adriatic Railway with the Monastir-Yanina line is contemplated by means of a railroad between Dabre and Ochrida.

I understand that all these lines will be of normal gauge.

There is no mention of the construction of a line to connect the Greek and Turkish

somewhat extensive plan for railways in Roumelia there is contemplated also the no less important system in Asia Minor, of which, however, the "Gazette" gives no details.

I have &c

CHARLES M. MARLING

29123

Grey.—(Received July 31.)

291. Secret.)

St. Petersburg, July 14, 1911

HAVING failed to find the Acting Minister for Foreign Affairs at home on the receipt of your telegram No. 345 of the 15th instant, I at once addressed an urgent private letter to his Excellency reminding him of the categorical assurances which M. Sazonov had given me with regard to the meaning of the term "Bagdad Railway" as used by the German Ambassador at St. Petersburg.

As regards the proposed project

at this afternoon I was informed by the German Ambassador that he had called Count Pourtales's attention to the words "Bagdad Railway" and had explained to him quite clearly that the project was not what was intended on the question of the 1 per cent custom.

I had further informed his Excellency that he reserved to himself the right to attach to the term "Bagdad Railway" the interpretation which Russia had placed on it, namely, the railway as far as Bagdad. This, he had said, was to the best of his belief the sense in which M. Sazonov had always interpreted it during the Potsdam conversations, and he would therefore have to assure himself of what had really been in M. Sazonov's power with regard to it before the moment came for attaching his signature to the agreement.

I had so often in previous conversations promised M. Neratof respecting these two points without obtaining any definite promise from him, that I was agreeably surprised to find that he had held this language to the German Ambassador. I do not however think that there is any likelihood of Germany consenting to sign the agreement if Russia merely engages not to oppose the construction of the railway as far as Bagdad. Such an engagement would not in her present circumstances be of the slightest value, and if therefore M. Neratof insists on adhering to his interpretation of the term "Bagdad Railway" the negotiations are almost certain to break down. In spite of the categorical assurances which M. Sazonov repeatedly gave me that the conversations at Potsdam had only dealt with the Konak-Bagdad line, his Excellency must, I think, have been entrapped into saying something which gave Germany good grounds for asserting that he had undertaken to withdraw Russia's opposition to the whole railway down to the Gulf. When, after the publication of the draft agreement in the "Evening Times," M. Sazonov informed me that it would in consequence be necessary to reword the entire draft, I observed that such a revision of the text would afford him the desired opportunity of modifying the term "Bagdad Railway" so as to render the meaning perfectly clear. He, however, at once replied that this was impossible, as Germany would never consent to it. It is therefore very doubtful if M. Neratof will be more successful in overcoming Germany's opposition to the project.

As regards whether M. Neratof is prepared to risk a rupture of the negotiations in order to carry this point, I hardly think so, though he might be prepared to go to greater lengths than M. Sazonov if he has really a free hand in the matter.

As he has not the same pressing reasons for wishing to bring the negotiations to a speedy termination. He was not responsible for instigating the conversations, nor for the pressure caused by the Russian press when M. Sazonov left Berlin with the fruits of what he imagined was a great diplomatic success. With M. Sazonov the signature of the agreement in some form or another was a question of amour-propre, as his reputation as a diplomatist was at stake. This is not the case with M. Neratof.

In the second place, I have noticed since I returned to St. Petersburg that M. Neratof speaks of the eventual termination of the negotiations with perfect indifference. He does not seem to care if they are indefinitely prolonged or if they are brought to a speedy conclusion, and I cannot help feeling that the manner in which Germany has intervened in the Moroccan question, despite the arrangement with France in 1909, has been an object lesson to him. The value of an understanding

with Germany has, I think, much depreciated in his eyes. His language to me, though reserved, leaves but little doubt as to what he thinks of the methods of German diplomacy. In speaking to me yesterday of the negotiations at present proceeding between France and Germany, his Excellency remarked that the Agadir incident would probably be closed by Germany receiving compensation somewhere else than in Morocco. He added, however, that he entirely failed to see any justification for Germany's claim to compensation.

I have, &c.
GEORGE W. L. ...

[30356]

No. 40

Memorandum communicated to French/Russian/German Ambassador, July 31, 1911

His Majesty's Government have now communicated to the Ottoman Ambassador a memorandum dealing with the proposals made to them by the Sublime Porte on the subject of the proposed increase in the Turkish customs duties.

Sir E. Grey considers it desirable that the French/Russian/German Government should forthwith be acquainted with the reply of His Majesty's Government in regard to the Bagdad Railway, which is as follows:—

His Majesty's Government have not, as yet, participated in the enterprise.

and having regard to the great preponderance of certain interests in other sections of the line, such as

the vast country

the arrangement laid before them by the Ottoman Government, which they have received the suggestions now made by the Ottoman

It will be divided between the Ottoman Government, who will

whole, and British, French, and German groups, who would each receive 20 per

cent of the financial arrangements are left for subsequent settlement between the

His Majesty's Government that they are unable to accept these proposals. If a new

company is formed for the construction and working of the railway south of Bagdad, and if it is to

British interests are represented in a degree at least equal to that of any

including Turkey, and in order to effect this and with a view to simplification

interests and commercial character of the undertaking, they would suggest that Russia

the percentage allotted to each country should be 20 per

cent, and that the Convention should be concluded by the Powers concerned providing for the ex

clusive on any railway in Asia Minor Turkey, and for equality of treatment in

these and cognate matters, for the alignment of the railway south of Bagdad

under which it is to be constructed, for the introduction of approved financial arrangements tending

to foster the development of traffic, and for guaranteeing that the interest in the

several parties concerned shall be of lasting duration and not subject to termination

of the Bagdad Railway.

It would furthermore be necessary for the Ottoman Government to

to impose river dues on British shipping or cargoes without the consent of His

There remains the question of the terminal port. Having regard

commercial interests are already represented at Bussorah. His Ma

ties substantial advantages would accrue from it.

they consider that the port should be constructed and controlled by the proposed new company.

interests of the untrammelled commerce of all nations. But if such an arrangement is adopted they

they hope that in the event of the railway ever being prolonged to the Persian Gulf it must be

alone, and a clause to this effect must be embodied in a convention dealing with these matters.

The reply of His Majesty's Government deals in addition with a suggestion of the

Ottoman Government that it is desirable to define the respective interests of the two

Powers in the region of the Persian Gulf, and it makes certain proposals which it is

hoped will lead to a satisfactory settlement: the memorandum concludes in the following terms:—

If the Ottoman Government are prepared to enter upon a negotiation on these lines, and to concur, as already stipulated in a removal of the existing veto on the borrowing powers of Egypt, a measure which is called for in the interests of financial reform in Egypt,—His Majesty's Government will make it their first aim to contribute to an agreement likely to remove all causes of friction between the two Powers, and they will not only consent, subject to the concurrence of other Powers, to the due observance of such agreement, to the further increase of the Turkish customs for a period, but they will likewise agree to the continued levy of the 3 per cent. customs increase, which had only been sanctioned provisionally till the year 1914.

Foreign Office
July 31, 1911

[30338]

No. 41

India Office to Foreign Office.—(Received August 1)

Sir, I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 24th instant regarding an application made by the Persian Railway Syndicate to the Government of Persia for concessions to construct railways in that country.

It will be remembered that when His Majesty's Government applied for a concession for a railway from Mohammerah to Khorramabad, the Persian Government felt two difficulties about granting it, viz., (1) that it was made by a Government that by approving a railway that stopped on the border of the Russian zone they would appear to recognize the quasi-partition of Persia. The first difficulty His Majesty's Government removed by announcing to His Majesty's Minister at Tehran their intention to "stand aside entirely" (Sir E. Grey's telegram No. 132 of the 4th May). But, if the course now contemplated by Sir E. Grey is adopted, and the application by the Persian Railway Syndicate is limited to lines in the British sphere of influence, the second difficulty will remain and will doubtless seriously prejudice the prospect of any

view of the importance that Lord Crewe attaches to certain of the concessions (namely that from Mohammerah to Khorramabad) being in British hands, he would not thus result with great regret, and in order to avoid doing anything that might contribute to bring it about, he would suggest that Mr Greenway's letter should be left unanswered; but, that, if this is impracticable, it will suffice to refer to article 1 of the Anglo-Russian Convention, and say that of course the syndicate will not ask for the support of His Majesty's Government as regards these extensions.

With every desire that His Majesty's Government should loyally observe the spirit and letter of the Anglo-Russian Convention his Lordship feels rather strongly that it is impossible to enforce the same high standard of self-denial on private British undertakings without opening the door to the subjects of other Powers who are hampered by no such restrictions.

I am, Sir,
Yours faithfully,
HERBERT MONTAGU

[30499]

No. 19

Enclosures in India Office Letter.—(Received at Foreign Office, August 1.)

(1)

Lieutenant-Colonel Cox to the Government of India

(Confidential.) Bussorah, J. 2, 1911
WITH reference to Foreign Department telegram, dated May 20, 1911, the nature of the advice to be given to the Sheikh of Kuwait in regard to the attitude which he should adopt towards the German firm and consul at Bussorah, I have the honour to submit, for the information of Government, a copy of the political agent's letter reporting the action taken by him to give effect to his instructions.

[1510]

Captain Shakespear to Lieutenant-Colonel Cox

(Confidential)

Kouzit, June 14, 1911

IN acknowledging the receipt of your second assistant's endorsement, dated the 6th June, 1911, I have the honour to report that I communicated to Sheikh M. J. in the course of an interview, the sense of the first part of Foreign Department letter of the 22nd May, 1911.

The Sheikh said that he had received no further communication from the Consul at Busorah, nor had he seen him during his last visit to Fadhah. He would bear in mind the advice given and, should he be again addressed, would return an answer in the terms suggested.

30491]

No. 4

Anglo-Persian Oil Company to Foreign Office, (1st July 1911)

Winchester House, London, S.W.

Sir,

I have received a telegram which I have forwarded to Mr. David Brown, with reference to railway concession referred to will, I hope, be dispatched in a few days.

I have, &c.

Managing Director

Enclosure in No. 43

Mr. Brown to Mr. Greenway,

(Telegraphic)

Tehran, July 31, 1911

TIME(S) very favourable for putting through railway concession leaving security(ies) to be arranged for later. Do you approve of? Send immediately draft.

30338]

No. 44

Foreign Office to India Office,

Sir,

Foreign Office, August 5, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 31st ultimo relative to the application of the Persian railways syndicate to the Government of Persia for concessions to construct railways in that country.

I am to state that, in Sir E. Grey's opinion, Mr. Greenway might think it discourteous if no reply were returned to his letter of the 15th ultimo, but in view of the considerations advanced in your communication the answer to that gentleman will take the form desired by the Marquess of Crewe, and not that suggested in the letter of the 24th ultimo from this Office.

I am, however, to observe in this connection that, so far as Sir E. Grey is aware, the syndicate have no intention of applying for concessions in respect of the three extensions in question at this moment, and that the lines with which their present application is concerned lie entirely outside the Russian sphere, and would therefore, from the point of view of the Persian Government, be open to the second of the two objections mentioned in your letter.

I am, &c.

LOUIS MALLER

[30338]

No. 45

Foreign Office to Mr. Greenway,

Sir,

Foreign Office, August 5, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 15th ultimo, forwarding copy of the memorandum handed by you to the Persian special representative at the Coronation and to the Persian Minister at this Court, giving a sketch of the proposals of the Persian railways syndicate with regard to railway construction in Persia.

I am to state that the Government's thanks for this communication, and to state that the Government has no objection to the memorandum to which His Majesty's Government could object.

However, with regard to the proposed extensions of the first three of the projected lines, of the intended construction of which Sir E. Grey now hears for the first time, that they will end at points touching, or within, the border of the Russian sphere of influence in Persia, and that Sir E. Grey accordingly presumes that in view of the terms of article 1 of the Anglo-Russian Arrangement of the 31st August, 1907, the syndicate will not ask for the support of His Majesty's Government in connection with them.

Sir E. Grey understands that the syndicate have no intention of applying immediately for concessions to build these extensions.

I am, &c.

LOUIS MALLER

[30989]

No. 46

Mr. Louther to Sir Edward Grey, (Received August 8.)

No. 46

Sir,

Constantinople, August 2, 1911.

WITH reference to Mr. Marling's despatch No. 521 of the 25th ultimo, I have the honour to report that the convention between the Régie générale des Chemins de Fer and the Ottoman Minister of Public Works, respecting the construction of railways in Roumelia and Anatolia, was signed on Saturday, the 29th ultimo.

As regards the former system, the general traces of which were correctly given in the above-mentioned despatch, the Régie undertakes to make the surveys and draw up estimates of the cost of construction, and, in the event of the estimates being approved by the Ottoman Government and Legislature, concessions for the lines will be granted to the Régie. If, however, the estimates are deemed to be excessive, the Government will take the plans, &c., from the French company and put the works up for tender, the Régie having not only the right to tender, but also preferential rights, on equal terms, against other tenderers.

In the case of the Anatolian railways the contract is a definitive one, and not a provisional one, the Régie undertaking to build the lines for and on behalf of the Ottoman Government. The lines in question are—

1. Sivas-Divrik-Kharput
2. Sivas-Erzurum
3. Trebizond

The Régie further agrees to survey two other lines, i.e., Sivas-Divrik-Kharput and Kharput-Erzurum, on behalf of the Government.

The Imperial Ottoman Bank is a party to this arrangement, and further, by a separate convention, undertakes to provide the money required for these undertakings and, I understand, also an additional considerable sum which will be utilised to cover the anticipated budgetary deficits during the next four or five years. The total to be advanced by the Bank to the Porte under this arrangement cannot, of course, be definitely fixed until the surveys and estimates for both the Albanian and Anatolian railways are received, but it is believed that the whole amount will be some £1,000,000 nominal, of which £750,000 will be devoted to these railways and to other undertakings, such as irrigation works, leaving £250,000 at the disposal of the Minister of Finance.

I have not yet been able to ascertain what guarantees are to be given for the service of this large loan. The traffic receipts of the Anatolian lines, which are to be

administered as well as constructed by the Regie generale, are stated to have been agreed on, but it is asserted that the Imperial Ottoman Bank is also demanding the same. It is, however, not known whether the Bank will insist on any of the conditions which they attached to the loan on the Paris Bourse in connection with the loan negotiations. It is not known but it is significant that there has, so far, been no sign of any such demand. On the contrary, the French Government, so far from raising any difficulties, is anxious to facilitate the transaction, and, according to the Turkish press, as the bargain is concluded, to give their assent to the 4 per cent. increase of the customs and to the application of the new Temettu law to French citizens.

The Germans, of course, have not failed to ask for compensation for this considerable extension of French interests, and have obtained, I understand, the Anatolian railways promises of the concession for branch lines from Angora to Sivas and from Angora to Kasarieli, in addition to the Ada Bazaar-Bolu Railway, which has already been sanctioned by the Chamber of Deputies. They are, however, way towards further concessions, and I have been informed by an engineer to report on the possibilities of a branch line to Arghana, where is situated the well-known copper mine which was to be specially included in the Chester concession. From this it may be concluded that, in German opinion, the French agreements have put a nail in the coffin of the Chester scheme, and it might, therefore, perhaps be worth while for Mr. D'Arcy to renew his application for the concession for the petroleum field in eastern Anatolia. Mr. D'Arcy's agent is absent from Constantinople.

GERARD LOWTHER.

[31323]

No. 47.

Admiralty to Foreign Office.—(Received August 8.)

(Confidential.)

Sir,

Admiralty, August 5, 1911.

WITH reference to Admiralty letter of the 29th May, and to your letter of the 3rd June, respecting the buoys and lights in the Shatt el-Arab, I am commanded by the Lords Commissioners of the Admiralty to acquaint you, for the information of the Secretary of State for Foreign Affairs, that they concur in the opinion expressed by the Admiralty in his letter of the 15th May, that if an acetylene inner bar buoy be placed, the British buoys will be sufficient, and the lighting of the bar will be satisfactory for the present purposes of navigation.

2. It appears from the report from His Majesty's ship "Odin," dated the 5th May, copy of which was received with Admiralty letter of the 29th June, that a British inner bar buoy has been laid opposite the Turkish inner bar buoy.

3. The British buoy is on the eastern or Persian side of the channel, and it is suggested that it should now be replaced by an acetylene lighted buoy. This would be preferable to placing the acetylene buoy in the position now occupied by the Turkish buoy, as the removal of this buoy would probably lead to international difficulties.

4. The proposal to moor a light-ship 4 or 5 miles to seaward of the gas outer buoy was previously made by the commander-in-chief in his letter of the 25th February, addressed to the Government of India, but action on it is suspended pending the receipt of detailed estimates (vide India Office letter of the 5th ultimo, forwarding copy of a telegram from the Government of India dated the 27th June). My Lords consider that a second light-vessel in the position proposed would still be desirable, even if the Turkish light-vessel takes the place of the outer bar buoy.

A similar letter has been sent to the India Office.

I am, Sir,

W. GRAHAM GREENE.

[31522]

No. 48.

Anglo-Persian Oil Company to Foreign Office.—(Received August 10.)

Winchester House, Old Broad Street,

London, August 9, 1911.

Sir,

I BEG to enclose copy of telegram which I received yesterday from Mr. D. Brown with reference to the application for railway concessions.

I have, &c.

C. GREENWAY.

Managing Director.

Enclosure in No. 48.

Mr. Brown to Mr. Greenway.

Tehran, August 5, 1911.

THERE is strong feeling (1) here in favour of pressing through measure(s) to secure(a) development(s) of country in event of any political change (2). It is essential, therefore, that you telegraph immediately draft(s) contract in order that I may press(en) forward without delay(s). To ensure secrecy telegraph via Eastern.

[31551]

No. 49.

Sir G. Buchanan to Sir Edward Grey.—(Received August 10.)

No. 170.

(Confidential.) P.

St. Petersburg, August 10, 1911.

SO-GERMAN negotiations. My despatch No. 201 of the 12th July.

(Secret.)

M. Neratof has been informed by the German Ambassador, who returned to St. Petersburg last night from Berlin, that the amended text of the draft agreement is accepted by the German Government.

It is only with regard to article 4 that there will be any modification of the text, while it is probable that a fifth article will be added. This additional article will stipulate that, in the event of the Russian Government informing Germany, two years after the line from Sadzheh has reached Khanikin, that they renounce all idea of constructing the line from Khanikin to Tehran, either on their own account or through the agency of a syndicate of foreign financiers, then Germany will be at liberty to obtain the concession for that line from the Persian Government.

Count Pourtales told M. Neratof that Russia was recognised by his Government as possessing full liberty of action with regard to the 4 per cent. customs increase, but that the German Government could only accept the term "Bagdad Railway" as applying to the whole railway, this being the interpretation which they had always understood those words to bear.

I asked M. Neratof whether he still intended to adhere to the reserve on this point which he had made verbally. He replied that the interpretation was still open to question, but added that, now that Germany recognised Russia's right to withhold her consent to the customs increase, the question of the interpretation of the words was no longer a matter of great importance.

From our conversation I gathered that M. Neratof would not insist any further, and that the signature of the agreement might be expected at an early date. His Excellency has promised that, before signing the agreement, he will communicate the text to me.

Précis of Proposed Terms of Draft Railway Contract

THE following are heads of contract which Persian Railway Syndicate (Limited) are prepared to accept from Government.—

1. Government to grant syndicate exclusive right to construct following railways—

- (a.) From Mohammerah and (or) Khor Musa to Khorramabad or Burujird.
- (b.) From Bunder Abbas to Kerman.
- (c.) From Bunder Abbas to Shiraz.
- (d.) From Bunder A) bas to Mohammerah, and also harbour or port at any of above coastal termini, with preferential right construct extensions of any of above railways and other railways in Southern Persia.

2. Syndicate to commence survey first railway within six months.

3. Plans, specifications, first railway to be submitted on completion survey, together with estimate, cost construction, and equipment. Such cost to include engineering, freight, and other charges, interest during construction and two years after, and cost of financing scheme in Europe.

4. Plans, &c., deemed accepted by Government if not objected to in six months after delivery.

5. To be at cost of Government, and to be paid at Government's option in cash or Imperial State bonds similar to recent issues on monthly certificates. If in bonds, Government to deposit with Imperial Bank of Persia sufficient amount of bonds at 87½ per cent. to cover cost of survey, with authority bank to deliver bonds to syndicate on production monthly certificates.

6. Syndicate to have right construct first railway on plans, &c., as approved. Line to be single track 2 ft. 6 in. or 1-metre gauge, and have telegraph or telephone line.

7. Prior construction first railway, Government to issue to syndicate 5 per cent. bonds at 87½ per cent., sufficient to provide estimated cost under clause 2 above, bonds to constitute direct liability of Government for payment principal, interest, and sinking fund of 1 per cent. and to be first charge on railway and railway receipts and customs duties Southern Persia or other securities approved by syndicate. Customs duties or other securities to be paid half yearly to Imperial Bank of Persia to meet above liabilities as they become due.

8. If works delayed by *force majeure* or circumstances over which syndicate no control Government to pay interest and sinking fund during period works delayed.

9. Government may, any time within five years date contract, re-open and proceed with survey of the three other lines or any of them on same terms as first railway.

10. On completion first railway Government may require syndicate to allow them proceed with construction of first, second, and (or) third railways on same terms as first railway.

11. Railways when completed to be worked by syndicate on behalf and at expense of Government. Syndicate to be entitled to 5 per cent. gross receipts. Government to make good any deficiency in working.

12. On redemption of bonds and payment all moneys due syndicate Government may take over and work railways on giving two years' notice.

13. Necessary lands to be provided free.

14. Government to provide free of cost effective protection of all working parties.

15. Exemption of taxes materials imported free duties, same as in mining concessions.

16. No other mechanical transport to be permitted within 50 miles without consent syndicate.

17. Government to appoint qualified European engineer, to be approved by syndicate, to certify work.

(a) Chief officials of railway to be English.

(b) Tariff to be on gold basis and fixed by syndicate.

(c) Full *force majeure* clause.

(d) Exchange to be taken at current market rates.

(e) Disputes to be settled by British Minister.

Sir G. Lowther to Sir Edmond Grey.—(Received August 14.)

(No. 551. Confidential.)

Sir,

Therapia, 14. 8. 11

M BOMPARD spoke to me to-day on the subject of the recent arrangement regarding the construction of railways which has formed the subject of despatches Nos. 524 and 548 of the 25th July and 2nd August respectively, from this office.

His Excellency said that it had not been carried through without considerable difficulties, as he had had the whole of German influence outside the German Embassy but including the Turkish army arrayed against him, and, moreover, had been much annoyed at encountering the opposition of the National Bank which had tried to obtain the concession of the ports of Trebizond and Samson, but this matter was yet undecided.

In reply to my enquiry as to why he considered that the National Bank was not entitled to enter into competition, his Excellency said that when the arrangement was made last year by the Ottoman Government with the German Company for the construction of a railway from Samson to Trebizond, his Excellency had enquired whether the Ottoman Government had any intention of entering into a railway enterprise in this country, for if so, they would know how to shape their future policy. They had received an assurance to which I alluded in my despatch No. 186 of the 22nd March, 1911, to the effect that the Porte were prepared to grant such a concession.

He asked the Government of this country to define the railway development that they contemplated granting to them, and this had included the ports of Samson and Trebizond. I said this was new to me, and if it was so, I could not understand why it should have had any difficulty in the matter. M. Bompard replied that the Government had been obliged to remind him of a verbal engagement given to him by David Bey, but His Highness had taken no account of this. M. Bompard, speaking with some warmth, said that it was very unfortunate that French and British interests should appear to be in competition, for this would be playing into the hands of the Grand Vizier who, being thoroughly German in his policy, looked to dividing us.

M. Bompard went on to say that his idea was that we should work in entirely different spheres, and not interfere with each other, and he was not prepared to support any French action in what he considered to be British preserves. I admitted the advantages of this, and asked him what they proposed to leave us to do. He said the development of Mesopotamian irrigation and a still undefined share in the extension of the line to the Persian Gulf. His Excellency was vague in his reply, and only said that he would consider the share in the Bagdad extension. He declared that they would be prepared to abandon any participation, but his Excellency did not say to whom this declaration had been made. I reminded his Excellency that even as regards the Mesopotamian railway, they were free from French competition, as the "Société des Baignolles" had recently entered the ranks as competitors with Messrs Jackson and Pearson (see Mr. Marling's despatch No. 529 of the 25th July). This his Excellency said he ignored, but that in any case he had not supported any French group, and must be well aware that no group would have any chance of obtaining a concession without the support of its embassy. This evoked from me the enquiry as to whether the Grand Vizier had told him that His Majesty's embassy had pressed for the grant of the ports of Samson and Trebizond. I had naturally done what I could to support the interests of the National Bank generally, but in this instance that institution had not asked me for any assistance. I added that in my opinion the National Bank, far from being desirous as he maintained of blocking the Ottoman Bank at every turn, had even offered to that institution a share in certain ventures which the latter had refused.

M. Bompard said that he believed they were on the point of coming to terms with regard to the financing of the new Mahommed Company, but they wished to preserve their own sphere of interest in the railway development of the country.

I am, Sir,
GERARD LOWTHER.

[31789]

No. 54.

Foreign Office to Board of Trade.

Sir,

Foreign Office, August 15, 1911

WITH reference to previous correspondence relative to the question of railway construction in Persia, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a further communication from Mr. Greenway enclosing a summary of the contract which the Persian Railways Syndicate propose to submit to the Persian Government.

As regards the third and fourth paragraphs of Mr. Greenway's letter itself, I am to enquire what are the views of the Board of Trade. It would probably be easier to obtain a concession based on the system described in the 3rd paragraph, but it has the disadvantage that the Persian Government would be able at any time, if they could produce the money, to buy out the British company at two years' notice.

The Board would doubtless be able to advise Sir Edward Grey as to the system which is generally adopted in the case of construction in foreign countries by British companies.

Sir E. Grey would prefer that the stipulation that disputes between the contracting parties should be settled by His Majesty's Minister at Tehran (article 22) should not form part of the agreement.

I am to require that a reply may be returned to this letter with as little delay as may be convenient.

I am, &c
LOUIS MALLET

[31789]

No. 55.

Foreign Office to India Office.

Sir,

Foreign Office, August 15, 1911

WITH reference to the letter from this Office of the 5th instant relative to the question of railway construction in Persia, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a further communication from Mr. Greenway enclosing a summary of the contract which the Persian Railways Syndicate propose to submit to the Persian Government.

As regards the third and fourth paragraphs of Mr. Greenway's letter itself, I am to enquire what are the views of the Marquess of Crewe. It would probably be easier to obtain a concession based on the system described in the 3rd paragraph, but it has the disadvantage that the Persian Government would be able at any time, if they could produce the money, to buy out the British company at two years' notice.

As regards the terms of the contract, Sir E. Grey is disposed to inform Mr. Greenway that the inclusion of the customs receipts of Southern Persia among the securities assigned by article 7 for the provision of the interest on the bonds to be issued in connection with the construction of the line, is inadmissible, these revenues, as he is aware, being already pledged to His Majesty's Government.

Sir E. Grey would also prefer that the stipulation that disputes between the contracting parties should be settled by His Majesty's Minister at Tehran (article 22) should not form part of the agreement.

I am to require that a reply may be returned to this letter with as little delay as may be convenient.

I am, &c
LOUIS MALLET.

[32371]

Foreign Office to India Office.

(Confidential)

Sir,

Foreign Office, August 16, 1911

A REQUEST has been made by the Turkish Ambassador, under instructions from his Government, that he may be furnished with copies of the agreements with the Trucial chiefs and the Sheikh of Bahrain and Kuwait, to which reference is made in the memorandum communicated to you on the 11th inst.

The agreements with the Trucial chiefs and the Sheikh of Bahrain have already been communicated to the Ottoman Government, and it is assumed that there would be no objection to communicating them to the Ottoman Government, and, if this is so, I am to request that your department will be so good as to furnish, for this purpose, copies of the documents in question in a convenient form.

With regard to the agreements with the Sheikh of Kuwait, Sir E. Grey would be glad to know the views of Lord Crewe as to what portions of them should be communicated to the Turkish Government. He presumes that it would not be convenient to divulge, e.g., the annual payment on account of the lease of land to His Majesty's Government.

It is also a matter for consideration whether it would not be more advantageous to communicate to the Turkish Government the agreements with the Sheikh of Kuwait until they have intimated whether apart from the terms of these agreements, they are prepared in principle to accept the proposals contained in the memorandum of the 11th July.

I am, &c
LOUIS MALLET

[32467]

No. 57

Mr. Baker to Foreign Office.—(Received August 17)

Sir,

15, Dean's Yard, Westminster, August 16, 1911.

PROPOSED railway system for Persia

In consequence of the recent report of Lieutenant-Colonel T. W. Haigh, His Majesty's Consul for the consular district of Kerman, in which he states that "the proposed railway is a railway or a cart road to Bam for Abbas," Mr. Henry S. Baker, representative of Messrs. Paul & Smith, is building the railway.

Dean's Yard

Mr. Baker, a member of the Cape Central Railway Company, and myself attended on His Excellency the Persian Minister to this country some three weeks ago to ascertain whether the Persian Government would grant a concession for the construction of a railway from Kerman, wholly within the sphere of English influence. His Excellency informed us that his Government would not grant any railway concession in Persia, but that what Persia required was a State railway system consisting of a trunk line from the Caspian to the Persian Gulf, connecting up all the main cities in Persia and, if necessary, having branch lines to outlying towns and districts.

He informed us that this railway system was to belong entirely to the Persian Government, and that, once a proper scheme was decided upon, that Government would issue a loan of 10,000,000 to provide for the cost of construction.

His Excellency then invited us to prepare a scheme for such a railway system and furnish him with it, when he would forward it to his father, who, he stated, was a member of the Persian Government.

The trunk line

the trunk line

the trunk line

Gulf and that it should connect up all the main cities in Persia and, if necessary, having branch lines to outlying towns and districts.

Kerman, and possibly to Hamadan and Kermanshah.

This trunk line is shown on the annexed plan in a full red line,* and in a dotted red line is also shown a proposed line from Khor Musa to Khorremabad, as described in the "Bulletin de l'Union franco-persane" of July last.

The treaty of 1907 seems to us to practically prohibit the construction of any railway in Persia by any non-Persian company or group of capitalists of which railway they should be the owners and administrators in the same way as English capitalists own and work railways in Argentina and other parts of the world. But the treaty does not seem to us to deter the Persian Government from asking English engineers, contractors, and capitalists from constructing a railway system for the Persian Government, nor to prohibit English capitalists from issuing (probably the participation of Russian or international capitalists) the necessary Government loan for the purpose.

As a further security for the loan it has been suggested that the Persian Government might grant a right to the bondholders to explore for and work mineral oil and other minerals within a belt of country on either side of and adjacent to the proposed line, and as Persia is known to be a country rich in mineral oil and mineral wealth generally, such a right might be of great value, assuming of course that it did not fall within the meaning of a concession prohibited by the treaty.

If it is decided to proceed with the construction of a railway, to be carried out by British subjects as above stated, we should proceed no further in the matter.

If, on the other hand, the British Government see no objection to such a railway, and to its being carried out in the way suggested, we shall be much obliged if you will inform us to this effect.

We have this morning been informed by the Persian Minister that, although another proposal has been under consideration for some time past at Tehran in reference to the provision of a railway system for Persia, it has made no progress, and that the Government are open to and will carefully consider any scheme we may submit.

Your obedient servant,

JOHN BAKER

[32594]

No. 58.

Anglo-Persian Oil Company to Foreign Office.—(Received August 18.)

Winchester House, Old Broad Street, London,
August 16, 1911.

Dear Mr. Mallet,

I ENCLOSE copy of the full text of the telegram re Persian railways which I sent to Mr. Brown in accordance with my conversation over the telephone with you.

On receipt of the letter which I understood from Mr. Norman you will shortly be sending to me on this subject, I will send Mr. Brown any additional telegram that may be necessary.

Yours truly,

C. GREENWAY.

Enclosure in No. 58

Mr. Greenway to Mr. Brown

Winchester House, Old Broad Street, London,
August 15, 1911

(graphic)
FOLLOWING is a synopsis of the draft agreement which I am posting this week. Agreement is drawn up on the basis of building on account of Persian Government, which I understand is desired, but if Persian Government prefers grant concession for building by British railway company, Persian Government similarly guaranteeing on gross capital expenditure, this is equally acceptable.

* Not reproduced

1. Government to grant syndicate exclusive right to construct following railways:

- From Khor Musa to Khorremabad or Burujird;
- From Khor Musa to Kerman;
- From Khor Musa to Shiraz;
- From Bander Abbas to Muhammara;

and also harbours or ports at any or all of the above coastal termini, with the preferential right to construct extensions of any of the above railways and other

3. Plans and specifications first railway to be submitted on completion together with estimate of cost of construction and equipment. Such cost to include engineering, freight, and other charges, interest during construction and tax on capital.

4. Plans and specifications deemed [to be] accepted by Government if not objected to.

5. Survey at cost of Government, and to be paid on monthly certificates, option of Government cash or Imperial State bonds similar to recent issue. If in bonds, Government to deposit with Imperial Bank of Persia sufficient amount of bonds at 87½ per cent to cover cost of survey, with authority bank to deliver bonds to syndicate on production of monthly certificates.

6. Syndicate to have right to construct first railway on plans and specifications approved. Line to be single track [2] feet 6 inches or 1 metre gauge, and have telegraph and telephone line.

7. Prior to construction first railway, Government to issue to syndicate 5 per cent bonds at 87½ per cent sufficient to provide estimated cost under clause 3 above, bonds sinking fund of 1 per cent, sinking fund to commence five years after opening

surplus customs duties Southern Persia or other securities approved by syndicate. Customs duties or other securities to be paid by Government officials as collected to Imperial Bank of Persia to meet above liabilities as they become due.

8. Syndicate to provide interest on bonds during construction and two years after. If works delayed by force majeure or circumstances over which syndicate no control, Government to pay interest during period works delayed.

9. Government may any time within five years date contract require syndicate proceed with survey of the three other lines or any of them on same terms as first railway.

10. On completion of first railway, Government may require syndicate, or syndicate may require Government, to allow them proceed with construction of second, third and/or fourth railways on same terms as first railway.

11. Railways when completed to be worked by syndicate on behalf of and at expense of Government, syndicate to be entitled to, as remuneration, 5 per cent gross receipts. Government to make good any deficiency in working.

12. On redemption of bonds and payment of all money due to syndicate, Government to take over and work railways on giving two years' notice.

13. Necessary land to be provided free.

14. Government to provide free of cost effective protection of all working parties. Exemption of taxes, materials imported free, duties same as in draft mining

15. No other mechanical transport to be permitted within 50 miles without consent of syndicate.

16. Government to appoint qualified European engineer, to be approved by syndicate, to certify work.

17. Officials of railways to be English.

18. All to be on gold basis and fixed by syndicate.

19. All to be at current market rate.

20. All to be settled by British Minister.

The draft has been submitted to Foreign Office. Their comment(s) [upon] will be sent in a few days.

[1510]

M

[32595,

N. 59

India Office to Foreign Office.—(Received August 18.)

Sir,

India Office, August 17, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 15th instant regarding the terms of the concession for which the Persian Railways Syndicate propose to apply.

It is understood that the Secretary of State for Foreign Affairs that although the concession in its present form may not only be more acceptable to the Persian Government but may also be more easy for His Majesty's Government to defend against the criticism with which it is likely to meet from Russia, as regards the Mohammorah Khorumabad line, at all events. He would therefore suggest that the concession should be made on the following terms:—

... the attractiveness of the form.

... understood to prefer, it might

... railway is purchased at short notice the price

Such a provision is usually

As regards the Southern Customs, Lord Crewe sees no objection to their forming part of the security provided that it is clearly stated that the British Government's and the recent Persian loan have priority. If Mr. Shuster succeeds in reorganising Persian finances it seems not improbable that the yield of the Southern Customs will largely expand and suffice for all these.

In clause 7 of the draft telegram the reference should be to "1st, 2nd, and/or 3rd railways" should apparently and/or 4th." It is presumably intended that the construction of these three should be proceeded with in the order named in clause 1.

In connection with clause 10, Mr. Greenway might suggest that the Government contemplate surveying the Bush to Firuzabad Shiraz road in view to the possibility of motor traction, as recommended by Mr. Clark (see Mr. Langley's letter of the 20th July). The Persian Railways Syndicate would, no doubt, come to terms should it eventually be decided that a motor road would be practicable and desirable.

I am, &c.

E. MONTAGU

[32501

India Office to Foreign Office.—(Received August 18.)

(Confidential.)

Sir,

India Office, August 18, 1911.

WITH reference to the correspondence marginally quoted,* I am directed by the Secretary of State for India to address you regarding the request made in the telegram of the Government of India, dated the 5th June, for instructions regarding the inclusion of certain areas in the survey that is shortly to be made in the Persian Gulf.

The areas in question are, as stated in their letter to the naval commander-in-chief, dated the 5th June, (1) the waters of the Khor Abdallah and Khor Assabieh, and (2) all the territorial waters which are south of the Zakhed Munifa (a locality presumably identical with or in the neighbourhood of Jaldai Munifa†).

As regards (2), the Marquess of Crewe is not clear whether a survey of the territorial waters of El Katif is permissible in view of the fact that His Majesty's Government have recognised Turkish claims to that coast. But, on the other hand, it may fairly be argued that the protectorate which His Majesty's Government claim over Bahrain extends to its waters, at all events so far as to entitle them to survey the approaches to the island. His Lordship will be glad to have Sir E. Grey's views on this point.

As regards (1), I am to observe that the waters of the two khors adjoin the islands of Warba and Bahan, to which Turkish claims have never been admitted, and the result of a survey there would be to show the Turkish Government, as explained by the Government of India, that His Majesty's Government do not intend to neglect

* India Office to Foreign Office.

† E. 5 on the Persian Gulf transit map.

[31789]

No. 61°.

Sir Edward Grey to Sir G. Barclay.

(No. 235.)

(Telegraphic.) P.

Foreign Office, August 18, 1911

RAILWAYS in Persia.

A syndicate has been formed, and has submitted to us its draft contract. The syndicate consists of the representatives of Imperial Bank of Persia, the British and Foreign General Securities and Investments Trust, the Anglo-Persian Oil Company, the British India Steam Navigation Company, the Euphrates and Tigris Steam Navigation Company, and Pearsons and Sons.

They have enquired our views as to basis of concession, and I am consulting the Board of Trade and the Law Officers, though I should also like your views, and especially with regard to the stipulation proposed that disputes should be submitted for settlement by the British Minister.

The alternative bases of concession are (1) that a British Railway Company should be formed to work the railway on their own account. In this case the Persian Government would guarantee the interest on the capital required; (2) that syndicate should work the railway on behalf of the Persian Government until such time as the latter are in a position to pay off the railway bonds.

Our own claims in the Gulf. The fact that a reply is now being awaited from the Turkish Government to the British note regarding the general situation does not, so far as Lord Crewe can judge, constitute any sufficient ground for delaying this part of the survey.

He would therefore propose, if Sir E. Grey shares these views, to address to the Government of India the telegram of which a draft is sent herewith.

The favour of an early reply is requested.

I am, &c.
E. MONTAGU

[32648]

No. 61

Sir G. Buchanan to Sir Edward Grey.—(Received August 18.,

(N. 18. 8. 11)

1. 18. 8. 11

St. Petersburg, August 18, 1911

NY telegram No. 179, Secret, of the 10th August: Russo-German agreement.

The agreement will be signed to-morrow, and I have just received the text from the Ministry of Foreign Affairs.

In the preamble the word "political" is now omitted after "special," but in other respects the summary given in my despatch No. 201 of the 12th July corresponds with the text now communicated in so far as the preamble, article 1, and the first sentence of article 3 are concerned.

In article 2 also the only change of any importance is in the last sentence, which now reads as follows:

From "if at the end of two years" to "will remain in force" was sent in.

The provisions of the second sentence of article 3 with regard to Germany's engagements not to construct railways to the north of Khankai (as given in my despatch No. 201) are now omitted altogether. It seems probable that these provisions may be embodied in an exchange of secret notes, but I must await my interview with M. Neratof to-morrow before I can get any trustworthy information on this point.

[32716]

No. 62.

Sir Edward Grey to Sir R. Hald

(No. 130.)

Sir,

Foreign Office, August 18, 1911

THE Italian Ambassador told me to-day that he was instructed to enquire as to our consent to the 4 per cent. increase in the Turkish customs dues.

I enquired for terms about the Bagdad Railway to the mouth of Bagdad, and for a general understanding about the Persian Gulf that would be satisfactory to British interests.

The Ambassador pressed me very strongly as to whether there were not some other con-

I said that I remembered only one other: it was connected with the borrowing powers of Egypt.

The Ambassador said that he was quite familiar with this question.

That what he had in mind was the ordering of ships by Turkey. It was thought that the visit of the Turkish Minister of Marine was connected with this, and that we had stipulated for the placing of orders in this country in return for our consent to the 4 per cent. increase.

I assured him that we had made no condition of any sort on this point. The ship had been given before we sent in our conditions as to the increase of customs dues, and the two questions were not connected in any way.

I am, &c.
E. GREY

[32759]

No. 63.

Board of Trade to Foreign Office.—(Received August 19.)

(11111111)

Board of Trade, August 18, 1911

Sir, I AM directed by the Board of Trade to acknowledge the receipt of your letter of the 11th August, with enclosures, on the subject of the proposals of the Trans-Persian Railway Syndicate, and to offer the following observations thereon for the consideration of Sir E. Grey.

The arrangement proposed by the syndicate, and summarised in the letter forwarded to your department by Mr. Greenway, is of a character which is not in accordance with the practice generally adopted in the construction and working of a line for a definite term, at the expiration of which it reverts to the State, there being generally a provision allowing the State on prescribed terms. Subsidies, where given, may be in the form of interest payment, or a guarantee of a certain rate of interest on capital. In some cases (as in the case of the Trans-Persian Railway) have subsequently been made by the Government. Companies have been bought out by an issue of Government bonds, or a Government has constructed a line and then let it to the syndicate for a fixed annual rental or for a percentage of the gross earnings.

As indicated in your letter under reply, namely, that the Persian Government would, as the scheme stands, be able to buy out the British company at two years' notice. It would appear possible, however, to obviate this objection by providing that the redemption should not proceed at more than a prescribed rate. From informal communications with the syndicate the Board understand that paragraph 7 of the proposed heads of contract has been amended by the insertion of a proviso to the effect that the Government sinking fund of one per cent. shall not be less than the amount of the interest on the bonds, and that the syndicate would view with favour the insertion of a further proviso that the Persian Government's payment towards a sinking fund for the redemption of the bond issue should not, during a further period of twenty or twenty-five years, exceed the amount of the interest on the bonds. This would secure to the syndicate a tenure of twenty-five or thirty years in all, and would, in the opinion of the department, meet the objection to the present scheme which Sir E. Grey appears to have in mind.

The Board are not aware if there is anything in the constitution of the syndicate which would prevent any part of the holding, either during construction of the railway or later when the syndicate is operating as a working company, from passing into foreign hands. Whilst, in view of the constitution of the syndicate, they do not regard this as a serious contingency, they think it desirable to invite the attention of Sir E. Grey to it.

In view of the observations the Board are disposed to think that the scheme now proposed by the syndicate might be approved by Sir E. Grey, should he see no other grounds, as more likely than the second plan suggested by the syndicate, to be viewed with favour by both the Persian Government and the British Government, whom Government bonds are as a rule more attractive than

I am,
Yours faithfully,
GEO. J. STANLEY

32753

*India Office to Foreign Office.—(Received August 19.)**India Office, August 18, 1911*

Sir, I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 26th July regarding the proposed Trans-Persian Railway, and to enclose copy of a despatch which he has addressed to the Government of India on the subject.

[32798]

No. 64.

Sir G. Barclay to Sir Edward Grey.—(Received August 19.)

(No. 341 Secret,
(Telegraphic) P

Calcutta, August 19, 1911

RAILWAYS in Persia

In reply to your telegram No. 235 of the 15th August, I have the honour to state that the second alternative, inasmuch as it seems both to offer a possibility of profits and to afford more assurance of permanence, appears, of course, at first sight to be the most attractive.

The question of profits seems, however, problematical, and, on the other hand, the probability that the Persian Government will be able to pay off the railway bonds itself is so remote that we may leave it out of consideration, and I hope we need not contemplate the contingency of our being unable to stop Persia from raising money. I consider, moreover, that the prospect of the second alternative being passed by the Medjlis is more than doubtful unless the temper of that body changes. The first alternative accords more with the views of those members of the Medjlis who count.

For these reasons I would recommend first alternative proposal.

A stipulation that disputes between the syndicate and the Persian Government should be referred to the arbitration of His Majesty's Minister would, of course, if we could obtain it, be of great use to the syndicate, but I would submit that His Majesty's Minister might be placed in an invidious position if he had to act both as advocate and judge in such disputes. A solution of this difficulty might be found in referring those differences which cannot be settled by negotiation to some foreign representative at Tehran whom the two parties could select by mutual agreement.

I am to say that the Marquess of Crewe will be glad to be favoured with the independent opinion of the Treasury and the Board of Trade on the question of a guarantee.

I am, &c
EDWIN S. MONTAGU.

Enclosure in No. 61

Marquess of Crewe to Government of India

(Secret)

India Office, August 18, 1911

With reference to the Secret letter of your Government dated the 23rd February last, I forward for consideration of your Excellency in Council, copy of a letter from the Foreign Office regarding the proposed Trans-Persian Railway,* and I request that I may be furnished with your views on the points raised therein.

In alignment of the proposed railway, I note that the committee appointed by your Government were of opinion that the route via Bunder Abbas, though longer, would be cheaper both to construct and to work than the more direct route via Kerman and Paam. I shall be glad if you will consider whether the objection of the Russian promoters could be met without detriment to Indian interests by bringing the line via Kerman to the coast at Chahbar.

I have, &c
CREWE.

[32798]

No. 65

Sir Edward Grey.—(Received August 19.)

St. Petersburg, August 19, 1911

RUSSO-GERMAN agreement

Please see my telegram No. 183 of the 18th August

I was informed to-day by the Acting Minister for Foreign Affairs that verbal assurances of the most categorical character had been given by the German Government that the only railways which they would construct to the north of Khankai would be those to which the Bagdad Railway concession gave them.

I remarked that in that case they would not construct a line from the Dnieper to the Black Sea. M. Neratof replied that, in addition to this line, Germany's right to construct a short line from the Dnieper to the Black Sea, as well as a line from Moscow to Arbat, had been admitted. The objections formerly raised by the military authorities to these lines had now been waived, and as Russia alone was interested she had not insisted and had given this satisfaction to German *amour-propre*.

I observed that, in my opinion, it would have been a wiser course to have obtained assurances in writing, and I thought the Russian Government had already obtained enough satisfaction to German *amour-propre* by pledging themselves not to object to the Bagdad Railway scheme. M. Neratof answered that even pledges in writing were not invariably kept, and that the Imperial Government could still co-operate with His Majesty's Government as regarded the Gulf section, as, although its construction could not be actively opposed by Russia, she had not engaged herself to facilitate its construction.

His Excellency added that the semi-official "Reuss" would publish to-morrow an article on the subject of the Triple Entente and the 4 per cent. increase in the Turkish customs simultaneously with the publication of the text of the Russo-German agreement.

Lieutenant-Colonel Cox to Sir Edward Grey.—(Received August 21)

N 1.)

Sir,
IN case the matter may be under lively consideration at His Majesty's Foreign Office, I venture to submit direct two copies of a communication, with enclosure, which I have addressed to the Secretary to the Government of India in the Foreign Department, forwarding a copy of Lieutenant Wilson's report upon the projected Mohammerah-Khorramabad Railway.

I have also sent a copy to His Majesty's India Office and to His Majesty's Minister, Tehran.

I have, &c.

P. Z. COX, Political Resident in the Persian Gulf,
and His Majesty's Consul-General for Fars, &c.

Enclosure 1 to No. 66

Lieutenant-Colonel Cox to Sir G. Barclay

(No. 61.)

Sir,

WITH reference to my despatch of the 2nd October, 1910, I have the honour to forward, for your Excellency's information, copies of a letter, with enclosure, which I have addressed to the Government of India, forwarding Lieutenant Wilson's report upon the projected Mohammerah-Khorramabad Railway.

2. In view of the insecurity of communication by post, I have sent a duplicate copy of this communication, addressed to your Excellency, through the Foreign Office, London.

3. In case consideration of the question may be imminent, I have ventured to submit copies of this letter and its enclosures direct to His Majesty's Foreign and India Offices.

P. Z. COX, Political Resident in the Persian Gulf,
and His Majesty's Consul-General for Fars, &c.

Enclosure 2 to No. 66

Lieutenant-Colonel Cox to Government of India

(Confidential)

Sir,

I HAVE the honour to refer to the correspondence starting with my letter dated the 2nd October, 1910, recommending Lieutenant Wilson's deputation to examine the possibilities of a railway route from Dizful northwards through Luristan.

Government of India will have seen from the interesting diaries which he has furnished during his absence that his journeys have been by no means uneventful, but a combination of judgment and good fortune has brought him through safely, and I now have the honour to submit a copy of his report for the information of your higher authority. I may mention incidentally that, in considering the Khor Musa (or Mohammerah) Khorramabad project as a whole he has found it advisable to bring forward a report on the Mohammerah Dizful section which was forwarded to the Government of India under my despatch of the 2nd October, 1910. The result forms Part II of his report.

2. The supplementary tracing which I have asked him to prepare, and which, if laid over his map,* will indicate the course of his subsidiary wanderings, will show that he has made a comprehensive examination of the tract within the limits of which a railway alignment might conceivably fall, and the result of his investigations is to confirm the *prima facie* impression formed by previous travellers, e.g., Sir Thomas Gordon and Captain Loranor, that the best alignment would be found either up, or to the west of, the Kashgan valley. The full details, which are furnished in Part III of the present report, in regard to both alternatives, will, it is hoped, enable railway

* Not reproduced.

experts to arrive at definite conclusions as to the practicability and probable cost of a railway through this piece of country, which on the grounds explained by him, is one which can be regarded as reasonably

the two alignments, taking the distance from Mohammerah to Dizful as 185 miles, and from Dizful to Khorramabad as 185 miles—estimates that the cost per mile will work out to £3,395 for the 5-foot gauge line, and for a meter gauge line, and favours the latter alternative.

Lieutenant Wilson has incidentally given much more information than the purely practical one, and in Part I of his report he endeavours to marshal the principal general, and political considerations affecting the project considered both independently, and in their bearing on the Gulf section of the Bagdad Railway, as they now present themselves to his mind.

The trend of his arguments on the whole is in favour of a rest on our ears for the present in regard to the pushing of the project, at all events, in respect of the section from Dizful onwards.

4. The salient points of his observations appear to me to be these:—

(1.) In the course of his return journey he passed through Bagdad, and had the advantage of discussing recent developments with Mr. Loranor, who had just returned from Constantinople. As the result of their deliberations he is convinced that the British position in Bagdad itself and in Mesopotamia generally, and further that it would be premature to despair of our ultimately obtaining a predominant part in the management of the Gulf section.

(2.) That in any case the Bagdad-Basrah connection will pay even if deprived of the Persian trade which may be deflected to the Mohammerah line, and that consequently the building of the latter line, though it may delay the construction and reduce the profits of the other, will not prevent its eventual completion.

He doubts, therefore, whether the Mohammerah line will prove, except temporarily, to possess so much competitive or political advantage as is at present supposed.

(3.) He is inclined to share the apprehension which the Sheikh of Mohammerah Luristan "buffer" may have the effect of destroying the territorial isolation of Ardestan, to which, combined with our consistent support, Sheikh Khaz'al Khan, in a great measure, owes the present strength of his position.

(4.) He is inclined to be pessimistic if the line were made international and if the present disturbed state of Luristan, we may test the line.

It may be brought to the view that no action should be taken by us beyond Dizful unless the German or Turkish attitude in regard to the Gulf section of the Bagdad Railway forces it upon us; and that from Dizful northwards we should rely for the moment on our real concession to maintain the commercial interests which we now possess in the markets focussing at Hamadan.

5. I do not think that any useful purpose would be served by my discussing in detail the many points raised in his report, especially as there is, in regard to several of them, scope for wide difference of view, or even for the use of the same facts for argument in an opposite direction. On the whole, the conclusions to which Lieutenant Wilson is led, brings us to a position which, speaking broadly, does not differ from that indicated in Sir George Barclay's telegram No. 68 of the 27th October, 1910, Foreign Office, and in my letter of the 2nd October, 1910.

There are certain aspects of the question which I wish to mention.

Firstly, I would observe that we seem warranted in considering the disapproval with which the announcement of our application for an option or concession to construct this line was received in Russian and German quarters, as in itself *prima facie* evidence of the value of the project to us, both as a means of safeguarding the commercial interests which we already possess in the region of which Hamadan is the centre, and as a lever for obtaining satisfactory terms in regard to the Gulf section of the Bagdad Railway.

Apprehensions of the Sheikh of Mohammerah.—I am inclined to doubt if the grounds for them are so serious as the Sheikh and Lieutenant Wilson anticipate.

May 14. Received in Minister May 14, 1911.
† To His Majesty's Minister, No. 45, of which a copy was forwarded to the Foreign Department with my letter of March 19, 1911.

Enclosure 3 at NY-0

Lieutenant Wilson to Lieutenant-Colonel Cox

S.

Buckeye, July 23, 1911

estimate the cost of the whole line to be about 2,335,000L. from Mohanmerah to [redacted] 1, equivalent to about 6,480L a-mile for 360 miles, on a ruling gradient of 1 in 50. The above figures are for Russian gauge (5 feet). At metre gauge the approximate cost would, I believe, be 1,650,000L.

I think the project to have a fair prospect of commercial success were met on gauge to be adopted, though there seems even then to be no likelihood of it being worth while for any British company to build it without a guarantee from the British or

General question of its effect on British strategical, political and commercial interests, I express, with the greatest deference, my belief that our strategical position *vis-à-vis* Russia will not be substantially altered by the railway, if built, but I feel its probable effect on our political interests in the Gulf and in South West Persia generally with some apprehension. The tendency of the railway to create an autonomous position of the Sheikh of Muhammerrah, thus paving the way for a recurrence in Arabistan of the anarchy which reigns supreme everywhere else in Persia and which so handicapped our commerce in the years 1889-1893 between the Persian Gulf and Karun and the accession of the present sheikh

Its inception will make the construction of railways in the north by Russia, and the continuation of the Khanikin line to Kermanshah inevitable, if indeed this is already the case, though of course the converse of the proposition equally holds good.

Since the Permian Government, as far as we can see, are not likely to be able to govern Luristan more effectively during the next decade than they have done in the

measures for the protection of the line at some future time. The Lur tribes are not at all formidable enemies in my opinion, but the possibility of being called upon to guard such a long line of railway will be a considerable addition to our expenses.

of Porium, without, it seems to be, any commensurate gain to our country.

the line being placed under international control is not one that we
 would scarcely fail to prejudge gravely our position in
 applications with the sheikh.

I have, du

1. Z. COX.

Political Resident in the Persian Gulf.

he has on our commerce in Persia, I have expressed the
markets of which Hamadan is the centre will not be

tioned until Kermanshah is linked up with Bagdad, and that the projected road would not appreciably alter the proportion of British imports now consumed, though it should lead to a substantial increase in the quantity of goods passing through the hands of British firms and imported and exported in British ships. Its main effect would be to displace the Russian sugar and hardware now entering from the north by the produce of Germany, France, and Austria (though imported, we may hope, by British firms) and Russian oil by the products of the Anglo-Persian Oil Company. The last named commodity is not likely to assume importance for many years.

7. The effect of the proposed railway on the Haged Persian Gulf line would be, I believe, to deprive the latter of a considerable proportion of its upward traffic, and

introduced into Mesopotamia, but this result will not be attained unless the line is prolonged at once to Bagdad at least.

I cannot believe, however, that it will for long postpone the construction of the Baghdad-Basrah Railway which will place the capital of Mesopotamia in close touch with British shipping and go far to help us to retain our position in Bagdad, if honestly worked. If Mesopotamia is linked up with Europe, but not with the Gulf (and the Tigris is no substitute for a railway for this purpose) a hundred factors will tend to alienate Mesopotamia from the principal seats of our commercial and political influence in the Middle East, and a

... of our political prestige will follow, a serious matter which that Bagdad is the centre of the pilgrim traffic of large section world. The Bombay mills, moreover, are indisputably a large and increasing market for their products.

... share in the Bagdad-Casim section. In the latter context

... the

... Bagdad by g

... to ourselves most of

... npanying this report is the result of a continued ... the compass survey, the original sheets are forwarded without

The work in detail only so long a period, the map is, in consequence, I fear, unsuited to photographic reproduction, and will have to be redrawn by a draughtsman. Examination of my defective sketches by I can only say that I had no table lamp with me and no draughtsman's apparatus; all detail on the map, the Kabir Kili represents actual observation by myself. I have no portion of it, except north of Khorramabad, where I

... Breakdown of my camera at the outset of my journey in Persia ... my obtaining any photographic records; the photographs enclosed have been extracted from the Morgan & Mission Secretary.

I would ask that Part II of this report may be substituted for the report forwarded under your letter dated the 10th October, 1910, to the Government of

... WILSON

On Special Duty

Enclosure 4 in No. 61.

Lieutenant Wilson on the proposed Railway from Khorramabad, and its prolongation to Bagdad.

PART I. - GENERAL AND POLITICAL CONSIDERATIONS

WHILST fully realising that any decision on the part of His Majesty's Government, in regard to the proposed railway in South-western Persia, must ultimately depend upon considerations of which I am for the most part ignorant, and regarding which I am not competent to express an opinion, it seems, nevertheless, convenient that I should give a brief summary of some of the principal general and political considerations affecting it as far as I am aware of them.

The Attitude of the Russian Government

The attitude of the Russian Government to the Laristan project since 1907, and its declared strong dislike, on commercial grounds, of any project which approaches the Russian zone from the south, to construct the Laristan line as far as Khorramabad, have been unanimous in their belief that the Russian Government is opposed to any action by Great Britain in such a matter, however, seems to have been made by the Russian Government in the matter than that of Germany, and Russia has been unable to offer

whilst assisting Germany to join up Bagdad

the project, it seems improbable that ... press her objections so strongly as to affect materially whatever ... it by His Majesty's Government. Her need of British capital ... suffices to make her practically unable to offer determined diplomatic

the Russian sphere by an ... the way of any connection ... there are Russian lines which may, in the meantime ... the one might also hamper us by stopping ... roads, should ... for this area, or from

... and its effect on the

Morgan, chief of the "Délégation Scientifique ... rts, discussed briefly the Laristan railway project, and ... commercial speculation, it could not bear comparison with ... id Kermanshah line, which had few objections to contend with ... From the purely commercial point of view this seems not improbable, particularly when it is remembered that a Bagdad-Kermanshah line might form part through route to India from Europe via Constantinople. But it will connect W Persia with the sea by a section passing wholly through Turkish territory, and having its terminus in non-Persian territory. A state of things contrary to the interest the principal shippers of the Shi'ah faith are close traffic on the Karakum will be a decided

traffic; from Bagdad the stream of exports from Persia will ... Gulf in the main, and imports will follow this route for the ... the Persian Gulf-Bagdad Railway be constructed or not. It may ... that the Bagdad-Kermanshah line will be remunerative from ... will be a blow to the competition of the Laristan line, which would ... goods traffic, and a part of its passenger ... its length in Persian soil, thus avoiding ... we will have an initial advantage which ... annual's adjustment of rates on the Turkish line could not rely neutralise. Even at present the weight of goods imported to and exported from Kermanshah and Khamatab

therefore, that the Laristan line would have a markedly unfavourable effect on the Persian Gulf-Bagdad line, and to a much less degree on the Bagdad Railway as a whole. Its construction might so reduce the prospective traffic on the Persian Gulf-Bagdad Railway as to make it impossible for the latter to ... enough to be financially profitable for many years to come, or until irrigation on a large scale has been introduced and extended in Mesopotamia, thus reducing the line of the latter.

I cannot, however, believe that the construction of the Laristan line will for long financial prospects of the latter; its effects are likely, however, to be sufficiently to make the threat of its construction a valuable lever when negotiating with Germany

unless prolonged by ... centres of which Hamadan is the chief, or at least as far as Bagdad. From Basrah to Bagdad by rail (350) miles is no further than from Mohammerah to Khorramabad, and the former line will undoubtedly be cheaper to construct than the latter.

I have suggested (paragraph 9) a rate of 4L a-ton as the cheapest average rate

we can afford to charge on goods between Mohammerah and Khorembad. How does this compare with the actual river rates and prospective railway rates between Bagdad and Bussorah? The following tables may throw some light on the point.—

STATEMENT showing Freights charged in 1910 on Goods between Bussorah and Bagdad and vice versa.

	Imports.	Exports.			
	Tons.	Tons.			
I					
II					
III					
IV					
V					

proportionately on the quantity of goods carried.

In addition to the above figures, to find the total movement between Bagdad and Bussorah, add 20,000 tons local cargo, and 27,000 passengers in either direction.

STATEMENT showing Maximum Rates chargeable for 350 miles between Bagdad and Bussorah by Rail if the Ottoman Anatolian Railway Company's Tariff were to be applied.

	Maximum Rates
	Per Ton per Mile
I	
II	
III	
IV	
V	

Maximum rates are, however, not charged on the sections of the Ottoman Anatolian Railway now in working order, the actual rates charged being only one-third of the rates fixed by the convention.

The average North-western Railway (India) rate of 4.72 pice per ton per mile, if applied to the Bagdad-Bussorah line, would work out at 11s 5½d a ton; Indian rate of 5.5 pice per ton per mile would work out at 13s 6½d per ton.

The conclusion I draw from these figures is, that if Khorembad is a distributing centre and terminus of the Luristan line, it will not be able to compete with Bagdad, which has got Khorembad. In order to fulfil its object the line must be prolonged at all events as far as Bursur.

We have not given up all hope of participating in the Bagdad-Bussorah Bussorah, the construction of which is of the greatest importance to us as a set-off to the Russian influence in Mesopotamia, and which may ultimately prejudice our interests in Mesopotamia.

Even were we to pursue the scheme, however, the necessity for us to join in

of our position in Mesopotamia.

Were we to build a railway from Mohammerah to Dizful (a line costing but little and with every prospect of paying its way at metre gauge eventually, if the feeder roads to the north were built and properly organised), and to reserve to ourselves the right to extend it to Khorembad, we should prevent any possibility of railway enterprise by other nations in this region, and at the same time retain in our hands a

Railway Company when it comes to be formed.

It is scarcely necessary to add that there is no point south of Khorembad except Dizful which could be made a terminus of the projected line, and the suggestions of the Russian Government in this connection are quite impracticable.

1. Attitude of the Persian Government.

The superior advantages of the Luristan Railway over the Bagdad-Khorembad project from the point of view of the Persian Government, if the former is alternative to and not in addition to the latter is so strong as to need no elaborate demonstration. It is to Persia's interest that her exports and imports should flow in channels wholly within her borders and under her control, and that all the indirect benefits following on the establishment of an important port should accrue to her and not to the Turkish Government. It is to her interest to strengthen her hold upon her south-western provinces, and no more powerful interest than the railway now under discussion could be desired for the purpose.

No alignment between the southern end of the Gulf and Western Persia by which I mean the country of which Kermanshah and Hamadan are the centres will suit the Central Government equally well. The next best, from her point of view, would be a Mohammerah-Ispahan line, but this has been pronounced, after careful examination by Major W. R. Morton, R.E., to present prohibitive difficulties.

The manuscript of Nour-ud-Din Shah in reference to a Tehran-Shushtar railway is well known, and need not be further referred to.

The Persian Government may be expected, I conclude, ultimately to favour the project, though great difficulty will doubtless be met with in obtaining a concession on anything like equitable terms. It will probably be difficult to recover the rights of the Persian Government in the matter, as guaranteed to him by us, with the Chinese and the Persian Government.

2. Probable effect of proposed Railway on British Political, Strategic, and Commercial Interests.

On this subject the view which I respectfully submit below may be summarised by saying that the project is unattractive as a commercial speculation, and its political disadvantages, which are ultimately largely commercial ones, outweigh, in my belief, any advantage which it may afford to our commerce in West Persia, strategically the line would appear to be of small importance.

The arguments against the construction of a line connecting Arabistan with West Persia may be summarised as follows.

We are already strongly established in Arabistan with sufficient security for our trade, and with every opportunity for increasing it by extension of oil works, irrigation, &c. Whilst a light railway to Dizful would undoubtedly assist the development of the province as would also the Luristan road from Dizful to Bursur, the Karun at present provides a sufficiently good channel as far as Shushtar for local requirements, and, as regards Dizful there is nothing to prevent the utilisation of the line for that purpose to within 20 miles of that town. The Luristan line will contribute but little to the development of Arabistan (Mohammerah, of course, being excluded), as the agricultural products of the province must always go south, not north, by land, and not by rail, and it is from the south that the vast bulk of its needs must be supplied, if under international and not British control the line may lead to actual diminution of our prestige and to all sorts of complications with the

Russian's economic and political position in the Zagros Mountains; if these be pierced by a railway our position in

S. gauge of proposed Railway

While considering the metre gauge for financial and strategical reasons in every
 case I have nevertheless estimated for a broad gauge line, whilst adding
 gauge as far as I am able to deduce them

9. Financial Prospects of the Land

They may be summarized as follows:

4. 400 per mile

The rate of 41.8-ton to Khorezabad may seem a high one, but it must be remembered that the Turkish duty of 1 per cent, is equivalent to a duty of more than 14.8-ton on piece goods when additional Turkish charges are taken into account, and probably not less than 28.8-ton on wheat. In estimating the incidents of freights, therefore, these sums should be deducted from the rates charged on the Luristan line.

11. Metre Gauge.

The weights of imports and exports via Karmunadhah in 1910-11 were roughly as follows —

Allowing for goods smuggled for personal property, the total probably amounts to over 50,000 tons. Of this quantity only 25 per cent. is for local use, the rest being forwarded mainly to Hamadan for distribution. The products of the Kermanshah and Hamadan districts are mainly exported to Russia at present; a railway would certainly divert them to a large extent to the south. Such exports would probably amount to

* *German operators of almost 92% of the 180L a-kilom. are guaranteed in the case of flag-hyd railway.*

* The maximum freight authorized on the Bagdad Railway are as follows:—

	Per Kilom.	Per Ton per Mile
perce-grounds, and manufactures		
or, fresh vegetables		
per 100 kilom.		

See p. 58, Bagdad Railway, No. 1, 1911, Parliamentary Papers.)

Note.—40 paise = 1 rupee, 1 rupee = 2.165d.; 100 paise = £7. 1

30,000 tons a-year to begin with. One of the disadvantages of the Luristan line is that it would obtain very little internal goods traffic, as the Arabistan exports go south to the sea, and the requirements of the province are mainly supplied locally or from India. There is practically no exchange of commodities between Kermanshah and the rest of Persia, whereas there is a very large internal trade between Kermanshah, Hamadan, Tabreez, Kasvin, Tehran, &c., amounting to about 500,000L per annum in the case of Hamadan.

There is, therefore, reason to believe that eventually the bulk of goods transported would be available at once, and a further 20,000 tons of exports now sent to Russia, may be expected to adopt this line, thus giving us at once half the total required to make the railway unattractive as a commercial speculation. The Persian Government is unable to give one whether the situation justifies the British Government in guaranteeing it at first would appear inevitable. Mr. Greenway in his letter of the 7th January, because of the insecurity of the Persian Government.

12. We turn now to the route from Kermanshah to Baryjrd and Baryjrd.

The approximate length of a cart-road via Pul-i-Kurr to Dukhtar and Madian Rud would be—

From Baryjrd to Khorramabad
From Baryjrd to Baryjrd

A metalled road, suitable to carry heavy motor traffic, with a railway line alongside, is what is wanted.

We shall, I think, be on the safe side in estimating the cost of such a road at not more than 600L a-mile all included, except the telegraph line alongside.

Such a road should be able to handle expeditiously traffic likely to offer for a long time to come; the capital required is much less than that necessary for a railway, the prospect of it being damaged is much less, and the possible profits large.

Further discussion of this subject is not, however, germane to the present subject, and I myself to suggesting with great respect that the possibility is one deserving of close examination at the hands of experts. (See also Part 5.)

The Russian native agent at Baryjrd, in a detailed confidential report to his consul at Kermanshah, to which I obtained access when in the former town, reported that the imports of Russian goods into Baryjrd (part of which were destined for Hamadan) amounted to 52,000L in value.

Hamadan was the depot from which the goods of the district were supplied in all

principal articles were in order of importance, piece goods, sugar, kerosene, hardware, tea, and glass-ware, but the value under each category was not given.

There is no doubt that the sugar and kerosene were of Russian origin, and also the glass ware, and perhaps the bulk of the hardware, but the matches in use in Baryjrd are Swedish and Austrian, not Russian, though imported through Russia by Russian merchants. As regards piece-goods, the vast proportions are undoubtedly of British make, though Russian patterns are closely imitated.

Mr. Macmurray, of the Imperial Bank of Persia, Hamadan, reports on the 10th March, 1911, that "nothing competes with Manchester goods here except a white muslin, which comes from looms in India."

Matches, hardware, and glass-ware are commercially of little importance, and as things now stand, therefore, the only articles of importance which Russia now supplies, and which we should furnish if the railway were built, are oil and sugar. The former will shortly be produced by the oil company at Mohammereh or Kasr-i-Shirin, but the total consumption of this product within Persia is likely to be but small for some years to come. The sugar now imported is at present almost entirely foreign, but there seems

* Approximate cost of telegraph line may be taken at not over 600 rupees a-mile.

good reason to hope that before long British sugar may compete successfully in this market.

The railway is unbreakable, compact, and of a high value relatively to the cost of transport than are the other important commodities which Persia imports, and the advent of the railway will not largely improve our trade with Russia.

PART II.—ARABISTAN PORTION OF ALIGNMENT. DESCRIPTION AND ESTIMATES.

Report on Mohammereh-Dizful Section of the Mohammereh-Julfa Railway

14. Reference to Maps of Country traversed by proposed Railways.

Mohammereh-Dizful. The Mohammereh-Dizful Railway was surveyed by the Staff's Division, 1909-10. Plane table survey. Mohammereh and Environs (4 miles = 1 inch).—One sheet, F.D., 1909, plane table survey. Mohammereh-Dizful (4 miles = 1 inch).—Six sheets, Chief of General Staff's Division, 1909.

15. Length of proposed Railway from Mohammereh to Dizful.

Via Kut Nahr Hashm
Via Aminch (opposite Nasir), 174 miles

16. Route.

A reference to the map will show that there are really only three possible railway routes from Mohammereh to Dizful:—

- (1) Via Kut Nahr Hashm and west bank of Diz.
- (2) Via Kut Nahr Hashm and west bank of Diz.
- (3) Via Kut Nahr Hashm and east bank of Karkheh crossing Shirur near Shush.

Route (3) can be put out of court at once, owing to its greater length and the comparatively difficult country through which it would have to pass. The hills at Sabeh (some 350 feet above plain) are represented, near the Diz by a few low gravel

in counter-part near the Diz. The comparative merits of route (1) and (2) are summarised below:—

- | | |
|-------------------------------------|---|
| (1.) Via Aminch (Length 174 Miles). | (2.) Via Kut Nahr Hashm (Length 264 Miles). |
|-------------------------------------|---|

Would afford alternative route between Ahwas and Mohammereh in place of present river steamers, whose displacement would clear a way for utilisation of Karun waters.

scheme, however, is generally considered, apart from this, to be unprofitable, and its cost (500,000L) is so great as to make its inception impossible. Might suffer from competition of river traffic as merchants might ship goods to Ahwas for forwarding thence either by rail or via the Diz to Kal'eh Bander.

Local passenger and fast goods traffic, but inconsiderable and probably insufficient to counter-balance loss by river competition.

Would facilitate operation of the Karkheh irrigation scheme, the necessary measure estimated to cost 1,000L, and returning net profit 10,000L.

Would secure all the Mohammereh-Dizful traffic and have nothing to fear from competition of river steamers, which would feed Ahwas as usual.

Would give Arabistan a double set of communications (rail and river) serving separate areas, the one serving Dizful, Nahr Hashm, and Hamadan, the other, Shushier and Ahwas.

The balance of advantage lies, I think, with the Kut Nahr Hashm route, and thus I recommend, though I estimate for the Aminch route, which is slightly

17. Description of Country through which Line would pass

Mohammerah-Nahr Hashim Section (86 miles).—Flat, liable to flood except close to Mohammerah; floods not sufficiently serious to necessitate facing embankments with stone, only 6 inches to 1 foot of water, and only for a few weeks. Little sand; practically no nalas or surface drainage channels. No vegetation. Water everywhere 15 feet to 20 feet by digging. Kut Nahr Hashim is 250 feet high.

Nahr Hashim Shaur River (16 miles). Gently undulating ground, low rise of soft rock which can generally be avoided, or cut through at low pass. Slope of ground to north still almost imperceptible. No drainage channels or nalas worthy of note. No permanent habitations. Sandhills frequent, but stationary, and offering no obstacle. Stone from hills not good enough for use as ballast, has about the same consistency as half-burnt brick, crumbles rapidly. Shaur must be bridged, see below.

Shaur-Shush (550 feet; 45 miles).—Up to within 10 miles of Shush line follows west bank of Diz. Alluvial soil; no sand or stones; plentiful brushwood. 10 miles south of Shush grand hills, about 60 feet high and $\frac{1}{2}$ mile in breadth, are encountered; these offer no difficulty whatever, and will be valuable source of gravel for ballast. The line would probably leave Shush 2 miles to the west.

Shush-Dizful (680 feet; 18 miles).—Over flat and, near Dizful, stony ground. Excellent ballast available from pebbles and boulders in Diz and Bala Rud. Two branches of Bala Rud to be crossed, see below. Irrigated cultivation in many places.

18. Bridging

Khas'alich Canal behind Mohammerah.—Thirty-foot bridge necessary; 12 feet above ground.

Shaur River.—This is more ditch; as it takes its rise level from springs near it is subject only to local floods. A 50-foot span resting on masonry buttresses on each bank should be ample. Alluvial soil. North of the Shaur for two miles subject to flood from marshes by the Kharur nala; pitching of stone or bricks will be required, and one or two culverts.

Bala Rud.—Two tunnels to be crossed; river bottom and subsoil changes its bed from time to time, unless trained; dry in summer; flows 4 feet in spring, but not more. At certain points the bed of the stream is well defined, 20 yards. A bridge composed of three 60-foot spans, resting on piers, would probably be economical. The above applies equally to both.

19. Local Labour.

The labour obtainable in Arabistan is of two kinds, Arab and Persian. The Arab, however, is too well off to be under the necessity of working with the spade for 2 krans (9d.) a day, and is constitutionally unfitted for regular and strenuous work. The experience of the Anglo-Persian Oil Company is that it is mainly upon Persian labour that reliance must be placed, but they have had no difficulty in obtaining 1,000 Arabs for work near Mohammerah.

In Ahwaz and elsewhere in Arabistan, Persian (Lur) labourers are plentiful and very satisfactory. Usual pay 2 krans a day (9d.).

Dizful labour is above the average, as it includes many skilled cultivators.

Excavation is usually performed by basket and spade. The spade used locally is a special long-handled type, but the experience of the Anglo-Persian Oil Company is that Lurs adapt themselves readily to the European pattern shovel and pick. The French scientific mission at Shush have had the same experience; they use light rails and trucks for removing spoil with good results, the Lur takes to them readily, long-handled spades are, however, much used.

Lurs, and also Arabs, work best in gangs under their own chiefs; unless some such arrangement is made, they are apt to get out of hand, but they are, on the whole, easily handled and amenable to mild discipline. Good bricklayers and masons are available in Dizful.

20. Gauge

The gauge of Russian railways in the Caucasus (5 feet) would probably be chosen by the Russian Government for the north section of the Juisa-Mohammerah Railway,

and would presumably be accepted by us, as we could oppose no valid argument to its adoption. A metre-gauge railway would, however, probably suffice for all probable requirements of traffic for many years to come, and would be, on financial grounds, in any preferable.

21. Gradients

Generally flat the whole way, the hills at Nahr Hashim and south of Shush could be easily surmounted at a gradient of 1 in 400.

At Shush a station would of course be necessary, and a subsequent enlargement. The site for a station is available, and the station from which it would be easy to throw out piers; the station is situated on the west bank of Diz.

At Shush a station would of course be necessary, and a subsequent enlargement. The site for a station is available, and the station from which it would be easy to throw out piers; the station is situated on the west bank of Diz.

Nahr Hashim.—A station here would serve Hawizah, and if irrigation be undertaken, the Nahr Hashim district. Water obtainable from Karkheh.

The station would be on west bank of Diz opposite town. The abandoned house on west bank of Diz (Kushk) might well be utilised in this connection. Provision for its occupation by the railway as storehouse, quarters for staff, &c., might be made in the concession. Water from Diz.

22. Fuel.

A refinery at Baim, 5 miles from Mohammerah, is conveniently situated to supply oil fuel in any quantity, and it will be unnecessary to import coal. The engines on the Russian section of the line will be doubtless fitted to burn oil, and it is fortunate that the southern section should be not less favourably situated in this respect.

In Kurlah district, 48 miles off Dizful, there are certain pitch springs, indicating the existence of oil in paying quantities. Were a railway through Laristan to be constructed it is possible that the Oil Company would bore for oil there, as also at Tang-e-Molhan Rad in Laristan.

23. Estimated Cost of Mohammerah-Dizful Section

Mr. W. A. John estimated the approximate cost of construction and equipping a railway of 4 ft. 8½ in. gauge in Arabistan at about 3,000l. a-mile. This corresponds closely with Mr. W. A. John's estimate (for Seistan railways) of 50,000 rupees a-mile for "surface line" 5 ft. 6 in. gauge. Taking the latter figure, the cost of this section would via Ammash, be 87,000,000 rupees. Sir William Wilson estimated his figure as an outside estimate. The total cost inclusive of special works is estimated at 833,333l. (vide paragraph 18). For metre gauge the cost should not exceed 500l.

24. Local Traffic

Dizful Mohammerah.—Imports from Mohammerah and Ammash into Dizful are not large, probably not over 1,000 tons per annum. Exports are even smaller, owing to lack of communications. The existence of a railway would afford a stimulus to agriculture, and the exports of grain, reeds for pens, oil seeds, cotton, wool, gum, galls, &c., would rapidly increase and might reach a total of 10,000 tons by the end of the third year.

It is not probable that the railway, even were it to touch the Karun opposite Ahwaz, would be able to secure an appreciable proportion of the imports and exports which are now transported by steamer between Ahwaz and Mohammerah, and forwarded from Nasiri to Isfahan by mules.

It seems certain, therefore, that the river steamers will always be in a position on this river, so long as it is not utilised for irrigation, to compete successfully with the railway.

The necessity of transporting goods brought up by railway across the river is not great. The necessity of transporting goods brought up by railway across the river is not great. The necessity of transporting goods brought up by railway across the river is not great.

double handling, would make shippers unwilling to use the line, particularly as the ocean going steamers can now unload straight into barges which are towed up to Nasiri without breaking bulk, and are passed through the customs there instead of at Mohammerah.

Other Local Traffic. It may be expected to give 200 to 300 tons imports and 1,000 to 1,500 tons exports. The figure would probably be doubled in three years after the railway was in operation.

26. Reason why Mohammerah and not Ahwaz should be Terminus of the Railway.

A brief note on this point seems necessary owing to the persistent public advocacy of Ahwaz as the terminus of this line by Mr H. F. B. Lynch, who, as managing director of the Karun and Tigris Steam Navigation Company, presumably views with concern the possibility of competition to the railway between Ahwaz and Mohammerah with his steamers on the Karun.

The Ahwaz-Mohammerah line will be cheaper; the river boat service is slow, and uncertain, owing to shoals, dust-storms, &c. Landing facilities for cargo at Amunich would be difficult, owing to shoals in river, which frequently changes its main channel. The river boat service, unless a very large increase of traffic took place, could not run more than two boats a week, and goods and passengers would run the risk of waiting one or four days at Mohammerah, if not more. The interposition of a river steamer would not involve not more, additional handlings of the goods, involving

Reasons why Shushtar should not be touched by the Railway.

(1.) It would add about 20 miles to the length of the railway.

(2.) It would involve the construction of three large bridges on the Karun, and several minor ones, thus adding greatly to the cost of the line. The alignment via Shushtar would, moreover, independently of the necessary bridges, be considerably more expensive per mile than that via Dizful.

(3.) It would involve negotiations with the Bakhtiari Khans in respect of the Dizful section, and with the Shushteris in regard to the Land-i-Kir Shushtar. It would be difficult to deal with, particularly the latter.

(4.) Shushtar is a decaying town, and would be so to a greater degree but for the fact that at present it serves as a depot for Dizful. Its needs are sufficiently supplied by the steamer service on the Upper Karun. The town is, however, mentioned in the Shah's rescript referred to in the British note to Persia on the subject.

28. Time required for Construction of Mohammerah-Dizful Railway.

Since construction could be started at half a dozen points without inconvenience (communication by river extending to within town of Dizful, close to the line), the rate of construction will depend chiefly upon the amount of labour available. There would seem no reason why the line should not be completed within two years of commencement of actual operations.

Labour is plentiful, work can go on all the year round, and as far as the work is concerned, practically nothing is needed but the simplest earthwork, and not much of that.

Such a railway from the Persian Government should include the right to run steam or motor-boats and barges on the Diz and Upper Karun for the purpose of transport.

29. Persian Gulf Terminus: Reasons why Mohammerah and not Khor Musa should be selected.

The navigation of Khor Musa is not without danger, owing to the Ummul Siwan and Ummul Dabab rocks. It is destitute of fresh water, which could only be brought with great difficulty from near Fallahieh or Buzeh, 40 miles distant. The whole land for many miles round and inland is flooded twice daily at high tide, and farther

in 1911 for a railway option were "for a part at Khor Musa or a way further out as far as Khoromah, with a branch to Mohammerah if found desirable."

north lie great marshes, impassable on foot for eight months in the year, extending half way to Ahwaz. No measures could ever make Khor Musa a habitable port, in my opinion, and the railway to be brought down to the coast at this spot. The proportion of goods traffic would still find an outlet from Mohammerah, the Karun River steamers being used between Mohammerah and Ahwaz and vice versa. It goes without saying that no passengers would ever want to go to Khor Musa, and receipts under this head would be negligible.

The climate of Mohammerah in summer leaves much to be desired, in the amenities afforded by ice, fruit, and fresh vegetables in plenty; but that of Khor Musa is to a degree which only those who have visited it (as I have) on several occasions during the summer months, can realise. The muddy shore into which the feet sink and sink deep at every step, is impregnated with salt, and becomes so hot that no native can walk barefoot on it, and for a European thick boots alone can save him from acute discomfort. Stinging gnats and flies from the adjacent marshes swarm by night, and would make sleep impossible were it not for the fatigue caused by the long sweltering day. Hot winds blow by night as well as by day.

Every consideration, I submit, points to Mohammerah and not Khor Musa as the proper terminus, and I have worked on this assumption throughout. I quite realise, of course, that it is desirable for us to have a blocking option, irrespective of Khor Musa, for political and strategical reasons.

30. Position of Sheikh of Mohammerah in regard to Railway in Arabistan.

The Sheikh of Mohammerah may be expected, in view of his close relations with the British Government, to co-operate with the latter in any scheme proposed by them to pass through his territory. As the chief of a hegemony of all the Arab tribes in the region, and responsible for their attitude to the Persian Government, it is upon him that the British Government must rely to maintain order and prevent tribal animosities from impeding the progress of operations; the experience of ten years shows that he will not fail to do so. But his position as landowner must also be borne in mind. He holds farmanas granting to him, among other districts, that of Mohammerah, which extends up to the west bank of the Karun, to a point a few miles north of Sahib.

From this point to Shush, 15 miles south of Dizful, the proposed alignment passes through the following districts, all of which are claimed, under farmanas of the Shah by the present Nizam-ul-Saltanah, nephew of the late Huzun Kuh Khan, Nizam-ul-Saltanah, to whom they were originally granted. They are all leased to Sheikh Khazal.

(1.) Karun west bank.

(2.) K. K. Nahr Had.

(4.) Huzarabad.

It would probably be easy to obtain unappropriated land free of cost, and thus reduce the cost of acquisition of land to a small figure, as the railway would pass through irrigated land only at the terminus, Mohammerah, and near Dizful.

Were it decided to commence construction of this line the first step would be to secure the necessary land at a fixed price. The Nizam-ul-Saltanah might be left to put in his claim for compensation in respect of the cultivated lands or the lands intermittently cultivated which have been appropriated for the use of the railway and which he may claim as his own.

The lands of Shush belonging to the Nizam, have been leased to the British, but he is not likely to be in a position to raise serious difficulties, and they could be avoided if necessary by keeping west of the Shush till Shush was passed by keeping east of the Diz, crossing it again near Dizful.

31. Possible Tribal Opposition outside Sheikh's Territories.

I think it improbable that any serious opposition to the construction of the line, or of any serious attempt to interfere with it when constructed, would be experienced. A hundred armed men supplied by the Sheikh would be ample to protect the camps from occasional raiding parties of trans-frontier Arabs, and the Persian Government could be induced to consent to the employment of pioneers from India, their double role of workmen and soldiers would stand them in good stead and probably greatly facilitate

rapid construction. Moreover, their position and duties as pioneers would conceal to a large extent their military rôle and enable their services to be utilised without causing great alarm to the Persian Government.

The presence of Lur tribes, mainly Sagwand, in the neighbourhood of Shiraz might cause some slight difficulty, but these tribes take readily to manual labour and the advent of the railway, with the consequent demand for unskilled labour, is welcome to them. In any case, the support of their chiefs could be obtained without great expense.

32. Total Cost of Arabistan

Adopting the Aminieh alignment for the purpose of my estimate, and assuming broad gauge to be desired, as elsewhere, I deduce the following estimate of cost:—

4 miles for each side of the river	
at work—	
(1) Mohammadi	
(2) Aminieh ferry service	

(2) and (3) require some expenditure. At the railway, some provision must be made for a ferry service at places on either side of the river. Provision must also be made for connecting the Aminieh station with some convenient point above the rapids whereby goods can be transferred direct to steamers on the Upper Karun.

The repairs of the Dizful bridge is a most necessary undertaking. The traffic between the railway and the town being uninterrupted, and attended with less peril than is now the case, the centre span being unfenced and very rickety.

PART III.—DIZFUL-KHORENABAD PORTION OF ALIGNMENT

33. Alignment of the Railway through Luristan.

We must now consider the alignment of the railway through Luristan, it being assumed that Dizful is the point of departure in the north, and Burujird the objective in the south. The limits within which an alignment for a railway must be sought are, broadly speaking, the Dizful-Kalch-i-Husaineh route to the east, and the Kalch-i-Husaineh-Gulghul-Duch-Kalch-i-Husaineh route on the west.

I am in full agreement with Major Bell (1884) that no practicable alignment even for a mule track can be found in the Ab-i-Diz valley must therefore be dismissed at once as impracticable. Henry Rawlinson (1844) writes of it from personal experience as follows:—

"If the Dizful River forces its way through the mountains, the track along its bank is utterly impracticable. Indeed, this part of the Zagros is so very precipitous that there is only a narrow path on foot; it is not to be traversed by a horseman, and is considered the most difficult of all mountain pathways. It breaks into the Sahra-i-Lur (north of Dizful) between the hill forts of Tangawan and Kalch-i-Shahi.

Major Bell (1884) and Mr. Sawyer (1889) (the latter surveyed much of the route) confirm these conclusions. So does Mr. de Morgan (1891) from personal experience.

The route out of all proportion to any economy that might be secured thereby; and in any case I am satisfied that the Saindareh-Kalch-i-Qasht or else the Khargan gorge route is the easiest that can be

reason of its greater length. The level river bed road, which is said to have passed through this gap, and traces of which may be seen at Baznawi, may be considered to have been an old world route before the more modern gap of Khoreinabad was brought into use. The latter is, perhaps, better suited for the demands of the immediate future, for though it has the comparative drawback of being on a high level, it is not so precipitous as the Ab-i-Burujird, for instance, the latter might require greater initial expenditure.

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plies equally to both branches of the Diz above Dizful. I first of all examined the country east of the Kashgan to find a suitable alignment, dissatisfied with the result, which would be seen later on at over 12,000 a-mile, for 184 miles. I proceeded to examine the country west of the Kashgan River, and found a much better alignment estimated at 185 miles at about 9,100 a-mile.

34. The first "ruling point" which any alignment must necessarily touch is the Zal, where it traverses the plain of Kalch-i-Husaineh. This can be done either by Dizful via Kalch-i-Nai or Kalch-i-Husaineh. The former route is shorter but more difficult.

From Dizful onwards for practically the whole of its length it crosses a series of low ridges separated by ravines often from 50 to 100 feet deep, and a railway would involve alternate deep cuttings, lofty embankments, and bridges, the distance not more than 2 miles between Dizful and the Raza.

I recommend the Kalch-i-Husaineh alignment therefore, and will proceed to describe its general features.

First Section. Dizful (700 feet), Dukuh (300 feet), 12 miles.

A gentle rise of 20 to 30 feet per mile throughout, increasing slightly near Dukuh. For the first 8 miles, as far as Sahlabad, undulating well cultivated ground, cultivated in places. Numerous small irrigation canals near Sahlabad. The formation is conglomerate, with a thin covering of soil or debris from the Bala Rud and Karun. The ground is very dry except immediately after rain, bringing down quantities of debris from the hills.

The best alignment, I should say, would pass the ancient tanks known as H. and would enter the low hills at Dukuh, about 3 miles from Dizful.

—This section may be estimated at 20,000 rupees a-mile for 6 miles, or 120,000 rupees. Small culverts and revetments will frequently be everywhere available, embankments will be expensive. The soil, the ground being mainly hard sand and gravel. Bricks will be cheaper and easily available (of square tile shape) in Dizful.

35. Second Section. Dukuh (300 feet), to Kalch-i-Husaineh (1500 feet), 23 miles.

(Approximate along proposed alignment.)

Major Bell (1884), a proponent of cart-road construction, remarked of this section that "the amount of roadmaking to be done, zigzagging in and out of ravines between a few miles south of Kalch-i-Husaineh (1,150 feet) and the Badrubad plain will exceed that in any equal distance between Dizful and Khoreinabad."

Between these points the track winds its way amongst intricate hills, of no great elevation, composed of sandstones topped with a hard conglomerate in places. It crosses ravines from 50 to 100 feet in depth. Without a close examination of this section it is impossible to suggest any particular alignment. I satisfied myself, however, by a hard-eye view from Bard-i-Padish and other points, that it cannot be

circumvented. Three ravines about 100 feet deep are crossed, and about twenty alignment should present no difficulties; by keeping north of the present track, not far from the old route, a good though costly alignment of, say, 1 in 75 to 1 in 100

The Bala Run must be bridged somewhere between Dukuh and Kal'eh Husainieh. The average breadth of the ravine in which it runs is about 300 feet at bottom and about 60 feet deep.

The whole section will be a difficult and expensive one to survey and to construct. No great difficulty is to be anticipated in regard to the gradient, as the route rises steadily from Dukuh to Kal'eh Husainieh (1,150 feet), with an average slope of 30 to 40 feet to the mile. No difficulty should be thus experienced in obtaining a gradient of 1 in 100, though heavy cutting and embanking, and bridges of some height, must be looked for throughout. By increasing the width of the gorges, saving would no doubt accrue, but it would convert the narrow in section are the ridges to be traversed. I do not think tunnelling could be usefully resorted to at any point. Between Kal'eh Husainieh (1,150 feet) and Kal'eh Riza (1,350 feet), 14 miles, the highest point that the railway would have to traverse is about 1,700 feet, 4 miles from Kal'eh Riza.

Cost.—Considering the section as a whole, I class it as follows:—

Mileage	Cost	Total
10 miles at 1,250,000 rupees	12,500,000	
4 miles at 1,700,000 rupees	6,800,000	19,300,000

37. Third Section: Kal'eh Riza (1,350 feet), to Ziarat Ahmad Kuchikch (1,950 feet), 14 miles.

through which any alignment must pass, being the lowest point of a saddle; it forces its way through the obstacle thus placed in its way by a deep gorge, the ravine being some 200 feet higher than the proposed alignment.

Between Kal'eh Riza and Pul-i-Tang (2 miles) two alternative alignments present themselves, the first keeps to the northern side of the Kal'eh Riza plain, crosses the Zal just below the point where it enters the plain, near an ancient (probably Sassanian) bridge, and four large ravines till it debouches on to the gentle limestone slopes near Pul-i-Tang.

The advantages of this alignment are:

1. It does not descend below 1,350 feet.
2. It is probably 1 mile shorter than the alternative route; it does not cross the Saidmarreh.
3. A gradient of 1 in 100 could in all probability be obtained, though at great cost.

Its disadvantages are—

1. Not less than six bridges of some size;
2. Heavy cutting for about 2 miles alternatively with heavy embankments.
3. Awkward curves round gypsum spurs.
4. Hills traversed between Tirada and Pul-i-Tang are gypsum, which is rapidly corroded by water, and which blasts badly, being of very unequal consistency.

The alternative alignment keeps to the south side of the Kal'eh Riza plain, crosses the Saidmarreh at 1,300 feet just below its junction with the Zal and Tirada streams; continues over the flat stony plain of Suh Gilal, and recrosses the Saidmarreh at 9 miles near Pul-i-Tang (1,300 feet). This alignment has the following disadvantages:

1. It reaches a level 50 feet lower than the first-mentioned line.
2. It involves two bridges across the Saidmarreh.
3. It involves a gradient of between 1 in 50 and 1 in 70 (1,300 feet) and Ziarat Ahmad Kuchikch (1,950 feet), a rise of 450 feet in 10 miles, and a rise of 450 feet in 10 miles.

A 50-foot cutting through the gypsum at Ziarat Ahmad Kuchikch will assist matters, and a slight increase in length can be arranged for, so as to diminish the slope, but the best that can be expected is 1 in 75. There will be no difficulty in keeping an even gradient from Pul-i-Tang to Ahmad Kuchikch, as for the whole distance the line will cross gentle limestone slopes. Its advantages are:—

1. Cheapness. I think it will be found that the cost of the two bridges is amply compensated for by the lack of heavy works elsewhere.
2. Rapidity of construction. The heavy cuttings through the gypsum hills will take a long time, as also will the bridging of the ravine.

It will necessitate the following bridges:—

1. Across Saidmarreh below the Zal junction; steep but not precipitous. The river is here 150 feet to 200 feet broad; banks 60 feet to 80 feet high, bed rock, depth unknown, probably not over 10 feet in summer; width from bank to bank about 450 feet.

2. Across Saidmarreh, near Pul-i-Tang. The river here flows through a deep gorge 6 feet to 10 feet broad at bottom, 12 feet to 20 feet at top, but no more than 8 feet broad in places; it is bridged by a single-span stone bridge, a bridge some 250 yards long would be necessary, but no spans need be longer than 100 yards.

Gradient.—From Kal'eh Riza to Saidmarreh 1 in 100 or more; from Saidmarreh to Pul-i-Tang level; from Pul-i-Tang to Ziarat Ahmad Kuchikch 1 in 75.

Curvature.—Easy throughout.

Formation of Ground.—Riza plain. Stony alluvium.

Suh Gilal. Stony alluvium.

Pul-i-Tang. Gentle limestone slopes inclining 4° to south; no soil, no large ravines to cross or other awkward features.

Mileage	Cost	Total
10 miles at 1,250,000 rupees	12,500,000	
4 miles at 1,700,000 rupees	6,800,000	19,300,000
Bridge across	7,500,000	
(1.) Below Zal Junction	1,000,000	
(2.) Near Pul-i-Tang	650,000	
Total	15,050,000	34,350,000

Before passing on to the next section mention should be made of the great potentialities of the Pul-i-Tang gorge mentioned above for the generation of electric power on a large scale.

38. Fourth Section: Ahmad Kuchikch (1,950 feet), to Ab-i-Fani (1,500 feet), 15 miles.

Ab-i-Fani may be taken as the next ruling point beyond Ahmad Kuchikch; its height where it joins the Saidmarreh is 1,500 feet, where it issues from the gorge through Kiyalan Kuh 1,700 feet. The distance for railway purposes may be taken as 15 miles. From Ahmad Kuchikch there is a steady descent down the Jauzar valley till at about 5 miles the Saidmarreh is reached at the point where it enters the long gorge, the south end of which is Pul-i-Tang, height here 1,400 feet; there is therefore a fall of 450 feet in 5 miles to be negotiated. If the line be taken along the limestone slopes between the Jauzar stream and the Saidmarreh gorge there will be no difficulty in giving an even gradient, and curvature will be easy, but it will be difficult to get a gradient much better than 1 in 60: 1 in 100 could be attained, but at considerable expense, by following the outlines of the foot hills of Kiyalan Kuh, only touching the 1,400 feet level near the Lailum stream, but the curves will be awkward, the length of line probably 1 mile at least greater, and the work difficult and expensive. As 1 in 50 will be unavoidable in subsequent sections, I propose the former alignment.

The next 5 miles to the Ab-i-Lailum lie along the Saidmarreh valley, near the river. The Lailum stream can be crossed half a mile above its junction with the river. Height of the stream here 1,500 feet, banks 50 feet higher; width from bank to bank

Distance.—Difficult to estimate, as owing to haze I was unable to triangulate satisfactorily.

Across Kuh-i-Dasht Plain, 8 miles; rising from 4,300 feet to 4,700 feet skirting south slopes Kuh-i-Guraz to east to near Kashgan 12 miles; from 4,700 feet to 5,000 feet, and thence, downwards, round east end of Kuh-i-Guraz to near Tang-i-Tir, 8 miles, and another 7 miles to some point near Pul-i-Kashgan.

Cost.—The first 8 miles may be classed as *very difficult*, the remaining 27 may be put down at not less than $\frac{1}{2}$ lakhs a mile.

	Rupces.
8 miles	4,00,000
27 miles	13,15,000
Grand total for 35 miles	17,15,000

The last 15 miles are along rocky slopes mainly of fairly stiff shale, but with a good deal of very hard limestone in places, and heavy cuttings through the smaller spurs. It should be possible to adopt a gradient not steeper than 1 in 75.

45. Ninth Section: Kashgan (3,650 feet), to Khoremsabad (4,400 feet). 27 miles.

The alignment would follow the Kashgan River to its junction with the Ab-i-Khoremsabad. Various alternatives will doubtless suggest themselves when a proper survey is made but the general alignment will remain the same. This section will present no difficulty the last 10 miles would be "surface" line, were it not for the numerous small bridges and culverts that will have to be constructed, and a slight embankment will be necessary to keep the slope even from terrace to terrace. The first 17 miles will be difficult to align, but should not be very expensive to construct, the hills being mainly of alluvium or shale with a little limestone. Gradient easy throughout.

	Rupces.
17 miles	13,15,000
10 miles	4,00,000
Grand total for 27 miles	17,15,000

Grand total, 3,54,90,000 rupces for 185 miles (say 1,700,000, or 2,100,000 a mile).

46. The Kashgan Gorge Alignment (vide paragraph 40)

I will now turn to another alignment, up the gorge of the Kashgan River from its entrance to the Jandar Plain at Pul-i-Kurr o Dukhtar to its exit from the Khoremsabad Plain at Tang-i-Tir about 40 miles north.

I had contemplated traversing this gorge or valley from end to end; unfortunately, however, owing to the unprecedented snow of this year, and a late season, the river was in full flood. As a result, for a long time, and for forty times it was impossible for me to get up the gorge, and I had to content myself by seeing what I could of it at intervals.

The river winds amongst steep hills, generally ending in cliffs abutting on the bed; a big bend occurs about every 2 miles, when the river will be running on one bank or the other up against a cliff; it is then necessary to cross to the other bank which is usually flat terrace; there is no clear view of the valley for more than three or four miles, and at several points the cliffs on both sides run down to the water, leaving only a difficult mule track which is covered when the river is in flood. At such points heavy rock cutting, revetting, and tunnelling will be necessary. The river must be constantly crossed, involving numerous bridges. The average breadth of the river when it is not spread over the gravels, or divided into several branches, is about 200 feet. 300 feet would have to be provided as a rule, from abutment to abutment to provide for flood water. The river is liable to heavy floods, a rise of 15 feet being not unusual. The river is narrow, but there is always a fairly wide stretch of river terraces on one bank or the other.

Difficult as the construction of a railway up such a valley would be, the alignment from Sandmarreh to Khoremsabad, and the ruling gradient would probably not exceed 1 in

100 at any point. Steel trestle bridges of stock size might be used to cross the stream, and would, if I may presume to offer an opinion on such a technical point, be well suited to the country and conditions of labour and construction.

47. To estimate the cost of this gorge line, the length of which, from Tang-i-Tir to Pul-i-Kurr o Dukhtar, may be taken at 40 miles, is of course quite beyond me, even had I been able to traverse it from end to end. I am assured, however, on the authority of *Sanjar Akram*, of whose statements I have been able to check, that a mule track exists right up the gorge, and that at no point does it contract to such an extent as to form a serious obstacle.

Allowing 3 lakhs a mile for the *very difficult* section, and 1 lakh for *surface* tunnelling (which would seem, all things considered, to be a fair estimate), the northern and southern ends of this valley, which I have seen from a short distance, offer no special difficulties. We obtain a total of 180 lakhs. The total cost of this alignment would thus be as follows:—

Sections 1 to 4	1,80,00,000
Tang-i-Tir Khoremsabad, 16 miles	16,00,000
Grand total for 120 miles	1,96,00,000
(= 1,971,000, or 10,000 a mile)	

48. The difference between the cost of this alignment and that via Madian is 171,000, according to this estimate, which is a mere guess; the saving of length is less than 45 miles, about one quarter of the distance between Daxul and Burujird; the absence of steep gradients is an added advantage.

Had I seen any chance of being able to examine this valley more closely, I would have waited for another month or two in order to do so, but the *Sanjar Akram*, who alone could arrange for my safe conduct along this line, left for the Kermanshah to revenge the murder of a friend of his, by plundering the guilty tribe, and making any further stay in the neighbourhood out of the question.

I think it not improbable that this alignment may turn out *very* little more, perhaps less, expensive than that via Kuh-i-Dasht, and I would recommend an engineer expert who may subsequently be deputed to *survey* the *Kashgan* gorge; in order to do so, he must make his survey between June and November (the floods this year being quite abnormal), and must arrange with the *Sanjar Akram* (whose head-quarters are at Tarhan), to provide the necessary *escort* which he will, no doubt, gladly do. In any case the saving in length by this route may be considered to justify some extra expenditure.

PART IV.—POSSIBLE EXTENSIONS OF ALIGNMENT FROM KHOREMSABAD NORTHWARDS.

49. Possible Prolongation of Line from Khoremsabad onwards.

The *alignment* would undoubtedly be towards Kermanshah, distant *about* 100 miles. The *region* is well fitted for a railway alignment which would run parallel to the mountain ranges which run in a north-north-west direction through the *region*. The *alignment* would be *very* *easy* to construct, and the *cost* would be *very* *low*.

The boundary between the Russian sphere of influence and the neutral *region* is "a line starting from Kasr-i-Shirvan, passing through Isfahan, . . ." Kermanshah and Burujird are thus included in the region in which Great Britain engaged not to seek concessions "for railways, land, telegraphs, road, transport, insurance, &c." though all concessions which existed in the region in question on the 31st August, 1907, are maintained.

The boundary line is roughly equidistant between Khorramabad and Burujird. A prolongation by rail or motor beyond Khorramabad would presumably be possible only with the consent of the Russian Government, who, it has been suggested, are likely eventually to view the project with hostility. Without such a prolongation, at all events as far as Burujird is concerned, the volume of exports in particular would be of quite insignificant proportions.

Khorramabad is a very bad distributing centre; the local market is small, the surrounding country disturbed; traffic on the main road to Burujird greatly hindered by snow in winter; and I feel convinced that any attempt to make the town a railway terminus will be predestined to failure, and trade will stick to the route via Bagdad, in which town are many wholesale dealers from whom small buyers can order direct.

The only practical alignment between Khorramabad and Burujird is that via Zagheh, which I will now proceed to describe in detail.

50. First Section: Khorramabad to Foot of Zagheh Pass (6,300 feet), 21 miles.

A steady climb along a stream which runs from the foot of the Zagheh pass all the way to Khorramabad. A gradient of 1 in 50 is the best that can be obtained, and it is possible that at one or two points 1 in 40 may be necessary for short distances. There is little heavy blasting, but for the first 10 miles there will be about 3 miles of blasting on the side of the hills, which are composed of limestone strata, covered in places by alluvial gravels and clay. The passage of the Tang-i-Zavleh Shih will involve some heavy cutting or embanking in order to reduce the gradient, so also will the ascent from the Tazeh to the Deh Safid plain. The Darreh Daraz valley once entered, the gradient becomes easier, and the line will be cheaper to construct; it would no doubt skirt the north side of the valley, rising steadily as far as is compatible with the maintenance of the ruling gradient. I estimate the cost at $1\frac{1}{2}$ lakhs a mile = $3\frac{1}{2}$ lakhs.

51. Zagheh Tunnel.

The Zagheh pass (7,200 feet) now confronts us; apart from the practical difficulty of carrying a railway up its steep rocky slopes and over its narrow crest, such a route would involve a long detour. There is no way of circumventing the range, and I think there is no doubt but that it must be tunneled; from 5,600 feet on the south-western to 6,500 feet on the northern side is, as nearly as I can judge, $1\frac{1}{2}$ miles through limestone rock, water is plentiful. I have no means of estimating the cost with any approach to accuracy, but for the purposes of this report it may be put down at 30 lakhs.

52. Second Section: From Foot of Zagheh Pass to Razan (6,700 feet), 10 miles.

From Zagheh the alignment winds down the valley of the Zagheh stream till it can turn north-east and skirt the south side of the Rud valley, crossing the stream at about 6,000 feet. It would then turn north-west and approach Rang-i-Razan village, 6,580 feet, then circle round the village and skirt the slopes of Ruh Chavirah Shah in a west-south-westerly direction, rising steadily to about 6,800 feet, when the hill narrows and a tunnel, in all probability, economical. There is no break in the country, which the Zagheh-Razan road crosses at 7,200 feet, and the descent on the northern side to the Silakhor plain will be much more difficult from 7,200 feet than from 6,700 feet, the height at which I propose the northern exit of the tunnel should be fixed.

I estimate this section to be 15 miles long, costing $1\frac{1}{2}$ lakhs a mile = $18\frac{1}{2}$ lakhs.

53. Razan Tunnel.

I estimate this to be 2,000 yards long; formation limestone rock; water plentiful. It is the hill on the north side at 6,800 feet. The descent to the plain is very steep, and the tunnel will be very short. The descent to the plain is very steep, and the tunnel will be very short. The descent to the plain is very steep, and the tunnel will be very short.

54. Third Section: Razan (6,700 feet), Head of Tunnel to Silakhor Plain (5,700 feet), 10 miles.

If the mouth on the Razan side be fixed at 6,700 feet, the drop will be 1,000 feet. The actual distance between the mouth of the tunnel and the foot of the hills being less than 5 miles.

The sides of the Razan valley are, on the whole, of a conformation favourable to the construction of a railway along them, but whether the east or west side of the valley should be selected, is a point which can be settled after a careful survey.

My impression is that it will be best to take the line into the Azizabad valley, and thence skirt the hills bounding the Silakhor plain to the west, descending steadily on a gradient of 1 in 50 till the plain is reached at approximately 5,700 feet.

This section will call for most careful survey, and a high degree of engineering skill. Blasting will be necessary almost all the way, and numerous bridges across ravines will be called for in addition to many culverts. I think 3 lakhs a mile would be fair estimate of cost, giving a total for this section of 30 lakhs.

55. Fourth Section: Up Silakhor Valley from near Chulan Chalan to Burujird (5,700 to 5,900 feet), 20 miles.

It will probably be found convenient to follow the main road crossing the river near Chulan Chalan, and keep to the eastern side of the valley. The river bed is about 100 yards wide; breadth of stream nominally 40 yards; depth in summer and autumn $\frac{3}{4}$ to $\frac{1}{2}$ feet; unfordable in spring; pebbly bottom. Plain is fairly level, and not irrigated from river, but by canals or "kanats" from hill side; many villages scattered over the plain, nearly all (in 1911) deserted owing to the depredation of Lur tribesmen.

There would be a certain amount of embanking and a little cutting necessary if the line keeps to the eastern side of the valley, and it would be well to allow $\frac{1}{2}$ lakhs a mile for this section, in addition to which we must allow a lakh for the bridge. Total 16 lakhs.

56. Abstract: Khorramabad to Burujird.

Section	Miles	Approximate Cost (lakhs)
Section I	21	3.5
Section II	15	18.5
Section III	10	30
Section IV	20	16
Total	66	68

(= 11,000,000, or about 15,000,000 s-miles.)

The cost of this section per mile is thus very nearly double that of the Moham-merah-Khorramabad section.

57. I was prevented both by my instructions and by the fact that hostilities between the Governor-General and the Bairanwand tribe were in active progress, from making a survey of the country traversed by this section, but this does not, I think, affect my conclusions in any way, as we are fortunately in possession of a careful survey of this particular portion of Luristan, made in 1889 by Yusuf Sharif under the superintendence of Major Sawyer, I.A. My observations have tended to substantiate its accuracy and general reliability.

58. Burujird occupies strategically and commercially a very important position at the head of a wide fertile valley, the edge of the Rud Pass plain. From its gates good roads, easily adaptable to wheels or rails, diverge in every direction, tapping the fertile districts of Silakhor Bala, Nihawand, Malayir, Kazmaz, and Irak.

From Burujird to—	Miles Approximately.
Kangavar	10
Kermanshah	15
Hawraman	20
Isfahan	25
Kashan	30
Kerman	35
Shiraz	40
Bushehr	45
Bandar Abbas	50
Sum	200

59. A Burujird-Kangavar railway could be constructed at an average cost of about 5,000L a mile for 80 miles, say 800,000L; it would connect with the Bagdad-Kermanshah-Hamadan-Tehran line. The ruling gradient would be about 1 in 150. It would pass for the whole of its length through thickly populated highly cultivated country, and would be a most efficient feeder line. A cart-road with a ruling gradient of 1 in 25 could be built along the same alignment for about 3,000L, the principal expense being caravanserai (six), bridges, and culverts.

60. Potentialities of the Burujird District.

Minerals.—I obtained information regarding several mines reported to exist near Burujird. Gold was said to be found in one mine, and I was given a sample of the same, which I believe, however, to be simply micaceous sand. Lead ore was said to be found in considerable quantities, 5 farsakhs distant, the ore yields 25 per cent. of metal. A sample I was shown seemed of very good quality. I was told at Kangavar that a European mining expert had said that the hills of this town contained good grade of lead ore, but I had no opportunity of confirming this. I was told of a place west of Burujird, called Fial, where good quality coal-beds were exposed; the sample shown me was bituminous; it burnt well, but has, I should say, no commercial value.

I was told that petroleum oil was found in the locality, and had been collected and burnt in lamps.

The soil is generally mixed with volcanic material, and is not very favourable to the existence of metalliferous ores.

At Khorramabad I was shown specimen of bituminous coal from the Papi country east of that town, of iron pyrites from the same locality, and of copper sulphate (sak or zagh), but these minerals occur apparently in small quantities only on the surface, and only the last named (which is used for dyeing) is worked at all.

Agricultural Produce.—Cereals: Mainly consumed locally, or exported to other parts of Persia.

Opium: Mainly consumed in Persia, some 30,000L exported.

Grains, dried fruits (raisins, &c.): Steady export to Russia, which would be diverted to south by railway.

Cotton, wool: Steady export to Russia, which would be diverted to south by railway.

PART V.—Possible Alignment for a Cart-road from Dizful to Burujird

61. I have in the previous pages suggested the possibility of a cart-road between Dizful and Burujird. The Transport Company holds a concession, which will expire in May 1913, unless the road is opened before that date. The one formidable obstacle which prevents it being built at once is the prevailing anarchy in Luristan; the Amir Mufakham has, however, made a determined effort to open the road, I have little doubt that the fact of the road, being in existence, and the pressure that we could exert on the Persian Government to keep it open, would ensure eventual success. I have submitted a separate report on this subject, and will confine myself here to state briefly the alignment which I propose.

62. From Dizful to Jaidar the road would follow the general alignment proposed for the railway, caravanserais being erected at the marginally noted spots. The Jaidar Plain through the Tang-i-Khursdarr across the Knaagan to Pul, Maidan Rud, this is the main ascent of the route, and the most expensive section, as the Knaagan must be bridged, and an entrance to the gorge blasted. I went over this route and found it well suited for a cart track, the gradients being generally moderate (1 in 25) and the expense of grading the steep portions small. From Maidan Rud to Khorramabad via Chinur, Bardagbul, Dureh, and Naikash; this section was considered by Major Burton to be fit in its present condition for wheeled artillery, and it could certainly be converted into a cart-road at moderate expense. Caravanserais necessary

* Silakhor Bala, N. of Chinur.

† In private.

at Ali Gijan, Maidan Rud Chinur, Bardagbul, Dureh, and Changar would again have to be rehinged near Dureh and the Khorramabad river below the town. From Khorramabad to Burujird via Zagheh and Razan is always practicable for wheels, and little expense would be incurred except on the section between Razan and the Silakhor valley.

This route is about 220 miles long, and I have divided it into thirteen stages; it is said to have been used in past times by Persian artillery; it was traversed by De Bode 1835 and Schindler 1889, and was undoubtedly a main artery of trade in Sassanian times, witness the great bridge of Pul-i-Kurr o Dukhtar in the Tang-i-Khursdarr.

I am satisfied it is the shortest practicable cart-road. The experience of the road company in South Persia is, I believe, that it does not pay to carry merchandise in carts as a rule, pack animals being cheaper. It is possible therefore that a 183 mile pack mule road from Dizful to Burujird in the Kiyalan would be of greater assistance to our trade than a 217 mile cart track, which involves greater expense and a larger staff along the road; but it may be held also that under the concession the construction of a cart-road is obligatory, the phrase "route chaussee" being used in the title, though nowhere else, according to the English translation in my possession.

It should also be borne in mind that where ordinary carts might not pay, mule traffic would perhaps do so; the employment of a Renard train has recently been advocated on the Bender Abbas-Kerman road for instance.

Further that the transport company has hitherto found itself quite unable to arrange for a sufficient supply of mules on the road in which they are interested, a mule road would be a great advantage. The road would be a well-organised cart-road from Razan to Burujird.

List of Photographs

(From De Morgan's "Mission scientifique en Perse: Études géographiques," vol. ii.)

[The breakdown of the panorama camera which I carried unfortunately prevented my taking any views myself.]

No.	Description.
1	Silakhor Bala, view taken west of Jaidar
2	Khorramabad, from the Sadmarreh Valley
3	View across Sadmarreh River.
4	Khorramabad plain.
5	Khorramabad, Taf or Chahara.
6	Sarab-i-Nadash, west of Khorramabad, looking north.
7	Kashgan Valley.
8	Kashgan bridge.
9	Yaffeh kab.
10	Khorramabad.
11	Burujird.

32812]

No. 67.

Sir G. Lenthal to Sir Edward Grey.—(Received August 21)

(No. 565. Confidential, Sir,

Therapia, August 10, 1911.

WITH reference to my despatch No. 551, Confidential, of the 2nd instant, I have the honour to report that M. Bompard yesterday again referred to my observation that a French firm had entered into competition with Messrs. Jackson and Messrs. Pearson as regards Mesopotamian irrigation schemes, and his Excellency said that enquiries which he had made had convinced him that all that the "Société des Batignolles" had done was to ask at the Ministry of Finance for the "cahier des charges" and make some observations on it.

It may be quite true that the French Embassy has not given the French company any support, but the letter addressed by the latter to the Ministry of Public Works, copy of which is enclosed herewith, indicates very clearly that it went further than M. Bompard states.

M. Cugnin, the person named in the letter, was in the employ of the Civil List in 1906, and was engaged in works round about Hilleh, on the Euphrates. In 1907 he was taken on by the Ministry of Public Works, and was employed in drawing up plans and a scheme for the new Hindieh barrage. His plans were accepted, and the work was estimated to cost about 150,000.

Tenders were asked for, and Messrs. Pearson were induced to look into the matter, and sent an engineer out.

On the engagement of Sir W. Willcocks these plans were set aside, but M. Cugnin was employed by Sir W. Willcocks, and was put in charge of the repairs to the Hindieh barrage. After the repairs had been made, a portion of the older structure of the barrage gave way, and it was said at the time that the accident was due to Sir W. Willcocks's instructions not being carried out. M. Cugnin has probably entered the service of the company with a view to getting his original scheme, which was set aside by Sir W. Willcocks, adopted by the Turkish Government.

I have, &c

GERARD LOWTHIAN.

Enclosure in No. 67.

"Société des Batignolles" to Ottoman Minister of Public Works.

Excellence,

Paris, le 10 juin, 1911.

NOTRE société, qui s'intéresse à toutes sortes de grandes entreprises de travaux publics, a étudié tout récemment le dossier préparé par les soins du Gouvernement ottoman pour l'exécution du barrage d'Hindieh.

Grâce aux renseignements recueillis et aux études faites sur place pendant plusieurs années par M. Cugnin, ingénieur de notre société, nous avons pu nous rendre un compte très exact du problème qu'il s'agit de résoudre.

Grâce aux impressions apportées par M. Cugnin de son séjour en Mésopotamie, aux sondages qu'il a exécutés, notre service technique est arrivé à se convaincre que le projet officiel donne lieu à de sérieuses critiques et est exposé à de graves et coûteux mécomptes. Tel qu'il est conçu, le projet officiel consiste à exécuter à sec, sur la rive gauche du fleuve, et en amont du barrage actuel, dont la précarité et le délabrement n'est ignoré de personne, le futur barrage, puis, par des travaux de terrassements très importants, qui ne donneront lieu à des mouvements de terre considérables, à détourner le fleuve en faisant suivre à ses eaux une double sinuosité très accentuée, et à boucher par une digue, qui devra être extrêmement résistante et étanche, l'ancien lit du fleuve.

Il semble que l'auteur du projet ait voulu fermer volontairement les yeux sur la possibilité d'exécuter le barrage dans le lit même du fleuve et, par parti pris, d'éviter tout travail à l'air comprimé, ait cherché une solution compliquée, coûteuse, et ne donnant pas, pour l'avenir, une sécurité absolue.

Il n'est pas démontré, en effet, que l'exécution en terre ferme des piles et des radiers du barrage prévu ne donneront pas lieu à des infiltrations et à des épuisements considérables et qu'on ne sera pas obligé de revenir en cours d'exécution aux procédés à l'air comprimé. On se demande, si cette éventualité se présente, à quoi sera servi de détourner le fleuve, de modifier son cours et son régime, et de faire, à grands frais, les terrassements considérables qui résultent forcément du choix de l'emplacement du nouveau barrage, alors qu'il est plus simple d'exécuter de suite, par l'air comprimé, les piles et les radiers dans le lit même du fleuve, sans risquer de modifier son régime et sans avoir à déplacer cette énorme masse de terre.

L'exécution de la digue destinée à fermer l'ancien lit du fleuve donnera toujours lieu à de gros évas, car, quelque soit le soin avec lequel on l'exécutera, il paraît bien difficile d'éviter des infiltrations, des fuites, des coupures de la digue.

La coupure qui s'est produite récemment dans le barrage actuel, où des masses considérables de maçonnerie ont été disloquées et rompues, et où les eaux se sont percées un chemin donnant lieu à des affoulements de près de 20 mètres de profondeur, justifient nos craintes d'une façon inquiétante.

Nous ne citons que pour mémoire le grave inconvénient pour la navigation

d'établir les écluses, l'une sur la rive gauche du barrage actuel. Cette disposition oblige le courant du fleuve à un endroit où il forme une sorte de rapide de manoeuvre amènera les embarcations à être entraînées par le courant et brisées par les tourbillons du barrage actuel. Enfin, le projet prévoit que le niveau d'amont du nouveau barrage sera de 32.50 mètres, et en aval de celui-ci de 26 mètres. Cela correspond à admettre que le débit d'eau réellement produite par le barrage actuel est de 150 mètres. Or, pour ne pas dire plus, du barrage actuel, les coupures qui s'y sont produites, les affoulements incessants que chaque crue y provoque, prouvent qu'il est de quelque importance; mais alors les niveaux prévus pour le seul du nouveau barrage

Dans ces conditions, il ne paraît pas possible à un constructeur sérieux d'assumer la responsabilité de l'exécution d'un semblable travail, et nous croyons par devoir adresser à votre Excellence des offres à cet sujet.

Toutefois, desirant de prouver au Gouvernement ottoman notre désir de lui être utiles et de nous intéresser aux grandes entreprises dans l'Empire, nous avons pour le barrage de Hindieh un autre projet, dont nous vous demandons la

Notre projet consiste (voir dessins Nos. 1 et 2*) à exécuter dans le lit même du fleuve, soit par l'air comprimé, soit par épuisement pour certaines parties du travail, les piles et les radiers intermédiaires. Ceux-ci seront établis à un niveau, tel que, si le barrage actuel venait à manquer complètement, le nouveau barrage ait les dimensions et la puissance nécessaires pour produire à lui seul la retenue demandée. Les radiers seraient établis de manière que les maçonneries soient efficacement protégées contre les érosions provoquées par la chute des eaux passant par-dessus les vannes de ret.

Entre les avaries et affoulements qui se sont produits dans certains barrages, nous proposons deux passerelles, l'une métallique, servant à manoeuvrer les vannes, l'autre servant à contreventer les piles entre elles et pouvant servir de passage d'une rive à l'autre du fleuve.

Pour la navigation, afin d'éviter les dangers et les inconvénients que nous signalons, nous prévoyons sur la rive droite l'exécution d'un canal latéral au fleuve, allant depuis l'amont de la rive droite du barrage projeté jusqu'à l'aval du barrage actuel. Le canal serait muni à l'amont de portes de retenue, permettant d'effectuer le curage du canal, et à l'aval d'une double écluse pour franchir la différence de niveau entre les deux biefs.

En ce qui concerne le barrage de la branche Hilleh, nous n'avons aucune observation à formuler.

Voici en quelques mots les grandes lignes de notre projet, il sera, nous en sommes convaincus, sensiblement moins coûteux que le projet officiel, et offrira des avantages au point de vue de la simplicité, de la sécurité et de l'économie. La séance du 24 juin ne donne pas de résultats, ni si le projet que nous vous présentons, dont nous déclarons nous réserver la propriété, vous paraît de nature à intéresser le Gouvernement ottoman, nous sommes à votre disposition pour compléter nos études et chercher la combinaison financière qui en permettrait la réalisation.

Veuillez &c

Le Président du Conseil d'Administration,

[32838]

No. 68.

Sir E. Goschen to Sir Edward Grey. (Received August 21)

(No. 229.)

August 16 1911.

I have the honour to report that the following statement appeared in the *Standard* of the 11th instant, in regard to the Bagdad Railway

According to recent information from Constantinople, negotiations are now in progress between England and the Porte relative to the Gulf portion of the Bagdad

* Not reproduced.

[1510]

X

Railway. Although no objection can be raised to such negotiations, at the same time no settlement of the question can be reached merely by means of an Anglo-Turkish agreement. The Bagdad Railway is not an Anglo-Turkish undertaking. The matter can only be definitely settled if the British proposals, which are the basis of the negotiations, are found acceptable by the German parties. It is well known that the consent of Germany to the Bagdad Railway has not yet been given.

The "Vossische Zeitung" is controlled by a group of men, of whom Herr Gwinner, president of the Deutsche Bank, is the most prominent. It is presumed that it represents the views of the Bagdad Railway.

The "Kölnische Zeitung," which is frequently the channel for semi-official announcements, to-day quotes an article from the "Westminster Gazette," in which it was stated, in reply to the "Vossische Zeitung," that England did not claim to settle the question of the last portion of the Bagdad Railway by negotiation with Turkey alone. A scheme acceptable to Turkey, such scheme would not be unacceptable to Germany. An editorial comment on this article expresses complete agreement with this view, and states that should Turkey and England come to an agreement, there would be no reason why the line should not be built. It is, on condition, naturally, that German interests were safeguarded in a satisfactory manner.

I have, &c
W. E. GOSCHEN

327591

No. 69

*Foreign Office to India Office**Foreign Office, August 21, 1911*

Sir,
I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 17th instant relative to the terms of the contract which the Persian Railways Syndicate propose to present to the Persian Government in connection with the concession for which they are about to apply for the construction of railways in Persia, in which it is suggested that the syndicate should be asked to put forward in the first instance the better of the two alternative bases of agreement detailed in their letter of the 11th instant.

With reference to this point I am to transmit to you herewith copies of a letter from the Board of Trade,* who were also consulted on the subject, suggesting a means by which, in their view, the objection to the former alternative which was urged in the letter from the Office of the 15th instant would be removed, and of a telegram from the Ministry of the Interior at Tehran,† giving reasons for preferring the alternative suggested.

I am to state that Sir E. Grey is disposed to agree with the Board of Trade suggestion, and that the disadvantages which would otherwise attach to this alternative are to be recognised the advantage of adopting it pointed out by Sir G. Borelay. It is suggested, if the Marquess of Crewe shares this view, that the syndicate be informed accordingly.

It is suggested, from the point of view of the syndicate, that this procedure would be an advantage of absolving them from the necessity of redrafting the contract.

I am to request the favour of an early reply to this letter.

I am, &c
LOUIS MALLETT

[33173]

No. 70 A.

*Enclosure in India Office Letter.—(Received August 22.)**The Marquess of Crewe to Government of India.*

(Telegraphic.) P

India Office, August 12, 1911

SEE your telegram dated the 27th June last.

Please let me have as soon as possible estimates as to gas buoy and light vessel in Persian Gulf. Admiralty express themselves in favour of both; see their letter of 4th instant forwarded with letter of the 11th instant from Secretary, Political Department, India Office. With a view to avoidance of international difficulties, Admiralty consider that inner bar buoy, laying of which was reported to you by Admiral Slade in his letter of the 19th May, and not the Turkish buoy opposite, should be replaced by gas buoy. Presumably this was the intention of your Excellency.

[33121]

No. 70 B.

*Enclosure in India Office Letter.—(Received August 22.)**The Marquess of Crewe to Government of India*

(Telegraphic.) P.

India Office, August 17, 1911.

REQUEST has been made by Turkish Government that our agreements with Trucial chiefs, Bahrain and Kuwait, should be shown to them. Shukh should be consulted as regards the last-named place. It seems difficult, however, in view of what is stated in memorandum of the 29th ultimo, to give only extracts or to refuse altogether, though it is considered doubtful by the Foreign Office if the part of the agreement of 1907, which provides for annual payment on account of lease of land, should be divulged. Please let me have your views. Presumably agreements should include letter dated the 23rd January, 1908, from Colonel Meade. As regards Trucial and Bahrain treaties I propose that Nos. 32 and 46 in Aitchison should be omitted. Reply is requested as quickly as possible by telegraph.

[1510]

[32467]

No. 7.

*Foreign Office to Mr. Baker**Foreign Office, August 11, 1911*

Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 10th instant, relative to a scheme of railway construction in Persia. I am to inform you in reply that, in view of the fact that a portion of the line build lies within the part of Persia defined as the Russian sphere of influence in terms of the Anglo-Russian agreement of 1907, His Majesty's Government cannot sanction your proposal without the approval of the Russian Government. Should that approval be obtained, His Majesty's Government observe a neutral attitude between different British groups desirous of

I add that a powerful British syndicate has already been formed for the construction of such lines, and that, according to the information in Sir E. Grey's letter, their offers are receiving sympathetic consideration from the Persian

I am, &c.
LOUIS MALLET.

[33302]

No. 71.

*Sir E. Goschen to Sir Edward Grey.—(Received August 24.)**Berlin, August 21, 1911*

THE "Frankfurter Zeitung" of yesterday's date comments at some length on the Russo-German agreement in regard to Persia which was signed at St. Petersburg on the 19th instant. Its observations are contained in a telegram dated from Berlin which has the appearance of being a semi-official communiqué.

The agreement, it says, is the first fruit of the Potsdam interview, the general tendency of which was summed up by the Imperial Chancellor on the 10th December last, when he said that the two Governments were agreed that neither of them would enter into any combination which might have an aggressive aim against the other. An opportunity was sought to put the theory into practice, and the opportunity was found in the settlement of a narrowly circumscribed portion of the Near Eastern question which, as must be said at once, does not touch the sovereignty of Turkey, contrary to the apprehensions so loudly expressed in France.

After commenting on the concerns of France and by Russia revealed, the article goes on to speak of the political significance of the agreement. It says, regarding it as something like a breach of faith, or, at least, an unbecomingly act, on the part of its ally that the agreement should have been signed and concluded at a moment when France was negotiating with Germany in regard to Morocco. France must, however, now make the best of the agreement, but if she be wise, she will endeavour to prevent Russia from safeguarding her own interests. French interests would best be served if, instead of turning as though hypnotised towards St. Petersburg and London whenever Germany makes any move in the sphere of foreign politics, France were to endeavour to come to a direct understanding. The Morocco question offers an opportunity. France needs only to free herself from the illusion that Germany seeks to humiliate her—of that there can be no question. As the German chauvinists are beginning to perceive, the German Government aims at a loyal solution of the Morocco question by which both parties shall get their

It is not the importance of the agreement as a political event to lie in the fact of its signature at the present moment, when it must be regarded with dislike by public opinion in France, and perhaps still more in England. The agreement, it says, implies that an end has been put to the policy aimed at by Germany, of which M. Isvolsky was the willing instrument if not the soul. The article also quotes Herr von Bethmann-Hollweg as saying that the intention of Russia and Germany to join no combination directed against the other. It goes on to say that, although the agreement is ostensibly of a purely technical

character, its political importance cannot be overlooked, and it quotes the saying of Bismarck that, whilst it is to the interest of England that Germany should be on bad terms with Russia, it is to the interest of Germany to be on as good terms with her as may be possible. The impression derived from the convention, it states in conclusion, adds the hope that it may prove to be a good omen for the present negotiations with France.

The "Hamburger Nachrichten," after explaining the various advantages derived by Germany from the agreement, goes on to say that it represents for England as for France the grave of many hopes based upon the alleged opposition between Germany and Russia in Asia Minor. It is especially noteworthy, it says, that the present Franco-German negotiations in regard to Morocco have not prevented the conclusion of the agreement.

The "Berliner Börsen-Courier" prints a statement to the effect that with the signature of the agreement, it learns from a reliable source, though it quotes the report with every reserve, that Russia has promised Germany that she will take no part in any conflict in regard to Moroccan affairs.

The "Berliner Tageblatt" considers it highly satisfactory that the conclusion and publication of the agreement has removed that the Russo-German Triple Entente as a means of bringing pressure to bear on the question.

I have, &c.
W. F. C. S. L. N.

[33584]

Cartwright to Sir Edward Grey.—(Received August 26.)

Vienna, August 24, 1911.

I have the honour to report that the conclusion of the Russo-German agreement has been received with great interest by the Viennese press, which is unanimous in its opinion on this event.

The "Wiener Tagblatt" characterises the agreement as of great practical importance to Germany and also of international significance. Russia has now gained Germany's approval of all the advantages which the former obtained in Persia by the Anglo-Russian agreement of 1907, when Germany's opinion was not asked. The most interesting point of the agreement, considers the "Tagblatt," is the promise made by Russia not to impede the Bagdad Railway by any measures directed against the participation of foreign capital. This is a clear departure from the English point of view, and sounds almost like a premature echo of the present Franco-German

Railway can be expected. The real equivalent which Germany has received for her consent by Russia of her rights under the 1902 treaty with Turkey, by which she secured the exclusive right to build railways in Asia Minor beyond the Black Sea.

According to the "Tagblatt," is proved by the fact that the new agreement coincides with the concession to Germany of the right of the Anatolian Railway to extend its system.

The "Neue Freie Presse" remarks with satisfaction that Russia's policy has not changed since last year. Though in no way detached from the Triple Entente, she will not countenance any dangerous or aggressive policy, and her principal aim is the maintenance of peace. The latest phase of the Morocco question has caused no change in her attitude, although England and France would have preferred that the agreement should have been signed after the Morocco question had been settled and not before. The "Neue Freie Presse" observes that the prelude regarding the integrity of Persia which preceded the Anglo-Russian agreement, has been left out in the Russo-German agreement. It is, says this paper, quite clear that England has no objection to any active measures in Persia on the part of Russia, who openly favoured the return of the ex-Shah. Russia's attitude in regard to the Bagdad Railway

is grounded, who has changed her point of view and has started negotiating on the subject of the last section of the line. In the opinion of the

[33518]

No. 71*.

Enclosure in India Office Letter.—(Received August 25.)

Government of India to the Marquis of Crewe.

(Telegraphic.) P.

August 21, 1911.

PERSIAN Gulf buoying and light. See your telegram dated the 11th instant.

It is impossible, I regret to say, to furnish detailed estimates, or preliminary estimates of greater accuracy than those of Mr. Hood, who studied the matter locally, for light vessel, gas buoy, or any other items of the scheme.

There is no vessel at our disposal available for conversion into tender for light-houses. Please refer to our telegram dated the 27th April, 1911. Arrangements might possibly be made, though this cannot be relied on, for steam-ship "Patrick Stewart," belonging to Indo-European Telegraph Department, on one combined monthly tour, to act as tender besides performing her usual work. A single tour of the lighthouses would, it is estimated, occupy fifteen days, and daily cost of hiring the "Patrick Stewart" would be 626 rs. 8 a.

As regards gas buoy, reply to your query is an affirmative one.

[1510]

X†

Presse" the international significance of the agreement lies in the increased friendliness between Germany and Russia, which means less antagonism between the two groups of Powers, and must, therefore, contribute to the general peace of Europe.

The *Neue Zeitung* compares the Persian to the Morocco question, and draws a parallel between the German concessions on the Lake of Urmia and the Mannesmann concessions in Morocco. It expresses the hope that agreement on the one question will lead to a solution of the other. It also states its opinion, in which it is joined by the "Tagblatt," that the conclusion of the Russo-German agreement foreshadows a similar agreement between England and Germany, by which an end would be put to the whole Persian question.

I have, &c.

FREDERICK L. CARTWRIGHT

[33565]

No. 73

India Office to Foreign Office.—(Received August 26.)

Sir,

India Office, August 21.

IN reply to your letter of the 21st instant regarding the telegram of the 19th, in which the Persian Railways Syndicate propose to offer to the Persian Government, I am directed by the Secretary of State for India to say that he concurs with Secretary Sir E. Grey as to the advantage of the course suggested by the Board of Trade as to the redemption of the State bonds.

I am, &c.

R. RITCHIE

[33713]

No. 74

Secretary of State to Sir E. Grey.—(Received August 28.)

(No. 583.)

Sir,

Constantinople, August 18, 1911.

THE Grand Vizier spoke to me yesterday on the subject of the reply of His Majesty's Government to the proposals regarding the Bagdad Railway and the Persian Gulf questions, which reply was communicated to the Turkish Ambassador in London on the 20th July. His Highness, while stating that there were many points which would require very careful examination which he had not yet had time to give to them, said that on one or two of these he was prepared to offer some observations. He did not understand why Russia "had been dragged in" to participate in the new company which it was proposed to form. Russia did not as a rule furnish capital for railway enterprises, and he saw no necessity for her having a share in the new company. He observed that she had a commercial interest through the Persian trade, and that her being allotted a share would further mark the international character of the company. His Highness said he resented very much the fashion of linking Turkey with Germany in the Bagdad Railway, and of its being taken for granted that Turkey would follow German dictation. He declared with some vigour that Turkey was neither German, French, nor English in this question, and he hoped that one day, when this country, through the development of its resources, had become rich, all the shares would be held by Turkish subjects.

It would be easy to readjust the proportions to be allotted to the different Powers, but he did not suggest what they should be.

Turning to the question of the necessity of providing against the differential rates, his Highness said he had never been able to understand the anxiety of His Majesty's Government on that score. He had not heard that there had been any suggestion, and he had called for M. Huguenin, the managing director of the *Compagnie des Chemins de Fer de Bagdad*, to tell him that such differential rates could not be imposed. His Highness said that to show how sure he was of this he was prepared to take the opinion of the British Chamber of Commerce. Moreover, the line being an Ottoman one, and it being obviously to the interest of this country to see it carrying as many passengers and as much merchandise as possible, the Turkish controllers would be careful not to allow anything of the kind. I said that it was not what had occurred, but what might occur in the future, that appealed to His Majesty's Government.

[1510]

Y

I understand that were the British Chamber of Commerce to be appealed to in the manner his Highness suggested they would not endorse his view.

His Highness then proceeded to speak of the question of our interests in the Persian Gulf, and said he would be quite prepared that the present position should be placed upon a clearer basis. He did not anticipate any difficulty regarding Bahrain, El Kutr, &c., but Koweit was in a somewhat different position. The former were as it were detached from the main possessions of the Empire, while Koweit ate right into it. Reference was made in the memorandum to certain arrangements between the Sheikh of Koweit and His Majesty's Government. These were unknown to the Ottoman Government, and he presumed they would be duly communicated to it, for it was obviously impossible for this Government to negotiate in ignorance of the contents of the arrangements. The memorandum seemed to provide for an enlargement of the dominions of the Sheikh of Koweit. This could not be viewed favourably by this Government. Presumably the arrangements made with the sheikh were arrived at with a view to obstructing the acquisition of that place by any other Power. His Highness hoped that we would be assured that Turkey would never alienate any place on the Persian Gulf to any other Power. They did not desire to see any other Power but England in those waters. What was most important for this Government (and for this provision must be made in any arrangements regarding Koweit) was that it should not become a *foyer de rebellion*, or that it should continue to be, as it was now, a depot of arms to the rebels against the Sultan.

These were the only points in the memorandum on which his Highness touched, and as he said the Cabinet had not yet had an opportunity of examining it, I did not conceive it necessary to argue any of the points with him.

I have, &c.

GERARD LOWTHER

[33716]

No. 75.

Sir G. Louthier to Sir Edward Grey.—(Received August 26.)

(No. 588.)

Sir,

Therapia, August 21, 1911.

I HAVE the honour to transmit herewith a translation of an article which has appeared in the "Sabah," on the subject of the negotiations with Great Britain regarding the Bagdad Railway.

The Government so far appear to have observed a wise discretion in withholding any communication from the press of the British counter-proposals, but the tone of this article, which is eminently conciliatory I think, indicates that the author must have been influenced by Government circles.

The editor is an Armenian, and is said to have some connection with a member of the Cabinet.

The leading article in the "Tanin," from the pen of Hussein Djahid, has clearly been drawn from the same source. The language used being almost identical with that of the Grand Vizier, as reported in my despatch No. 588 of the 18th instant.

I have, &c.

GERARD LOWTHER.

Enclosure 1 in No. 75.

Extract from the "Sabah" of August 19, 1911

(Translation.)

L'E "Sabah" parle aujourd'hui dans un long article de fond des pourparlers qui ont eu lieu entre le Sultan et le Sultan de Perse au sujet de la ligne Bagdad-Bassora, et, après avoir relaté que les plus grands et les plus habiles diplomates en Angleterre ont trouvé depuis un siècle l'existence d'une Turquie puissante conforme à leur intérêt, continue ainsi :—

Pour que les délibérations actuelles qui ont pour but de résoudre une des causes de la situation actuelle des choses en Orient puissent assurer le résultat voulu, il faut accomplir les trois conditions suivantes.

1. Résoudre la question du chemin de fer par une entente sincère ;

2. Résoudre la question de Koweit de sorte qu'aucun côté obscur n'existe plus en ce qui concerne la situation réciproque des deux Gouvernements dans le Golfe Persique ;

3. Faciliter économiquement à accorder par le Gouvernement anglais au Gouvernement ottoman, surtout son consentement à la majoration de 4 pour cent des droits de douane. Nous ne croyons pas qu'il y ait de grandes difficultés pour les conditions de la construction de la ligne du chemin de fer, car nous espérons fermement que le Cabinet de St. James prendra en considération notre situation dans cette affaire.

Sous l'ancien régime une convention avait été conclue avec les Allemands. En conséquence, les questions judiciaires, il était impossible de les résoudre.

La situation actuelle est la suivante : La question de Koweit a été résolue avec la société allemande ; actuellement on commence à délibérer sur la question de la ligne du chemin de fer, mais il faut, dans les conditions actuelles, prendre en considération un point, c'est-à-dire que jusqu'à un certain point par des engagements qui avaient été pris sous l'ancien régime.

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Enclosure 2 in No. 75

Extract from the "Tanin" of August 21, 1911.

(Translation.)

THE BUSSORAH-PERSIAN GULF RAILWAY

AMONGST the important political negotiations in which the Ottoman Government is at this moment engaged those connected with the Bussorah-Gulf line

occupy a place of importance. If this question, which acts as a delicate touchstone for the relations of the two countries, is solved in a way that will please both parties, it will be possible to draw a deep breath of thankfulness and repose.

There are a number of questions between Turkey and the Great Powers of Europe which have been left in abeyance, and although these cannot at this moment be regarded as forming a difference, their doing so taken all together is undeniable. We have hitherto been in favour of the solution of such pending questions by entering at the moment into sincere and friendly conference rather than waiting until the difference becomes acute, and in the articles we have written up to now about the Bagdad-Gulf railway and Koweit we have always defended this point of view.

Indeed, we showed at the time our approval of the Imperial Government's considering proposals for reaching a settlement with England about the Bagdad-Gulf line, and pointed out the need of proceeding to deeds in the policy of fostering friendly relations with all States and not confining it to words.

The English Government has recently replied to the proposals the Sublime Porte put forward months before, and the standpoint of Great Britain as regards the Bagdad-Persian Gulf line has been explained in the answer.

Sir Edward Grey refrained from replying to a question about the nature of England's counter-proposals, and stated that it was desirable that this should be kept secret. Hence it is not possible to determine the nature of the Anglo-Ottoman deliberations about the Bagdad-Persian Gulf line and Koweit.

To secure the best results in such important political negotiations, the first view is peace and tranquillity. Hence we find it very natural and pardonable that neither the Sublime Porte nor the British Cabinet should be inclined to give explanations. Only it is the duty of the press at this moment when the official negotiations are actually going on to make a résumé of previous discussions and the news appearing in the press, to oppose the points of view of both parties, see whether they are irreconcilable or not, and prepare a ground of agreement in public opinion.

The demands up to now in the English papers about the Bagdad-Gulf Railway can be summed up in one main point, that the control of the line should be in English hands. That Sir Edward Grey should now repeat this claim which the papers have so often brought forward is very probable.

The word "control" has naturally offended Ottoman ears. This has arisen partially from misunderstanding the word.

For the meaning that we are accustomed to give to the word "control" which we have just explained. Upon paying heed to this distinction one sees that what the English want is that the larger part of the capital for the construction of the line should be in English hands or in those of England's friends.

Previously, when this aspect of the matter was discussed in the papers, it was said that the Ottoman Government desired an important part of the capital to be in Ottoman hands, and the partition of the remainder equally between England, France, and Germany. This proposal, which was as agreeable to Ottoman interests as it was to those of England, France, and Germany, they bethought themselves that upon the German and Ottoman shares being joined those of England and France would be in the minority.

This is a very mistaken standpoint, which a moment's just thought can correct. The Ottoman Government is not inclined to the German policy, nor is it to that of England or France. It is clear that Turkey will incline to that side where her interest lies. Accordingly it is in the hands of the English and French to prevent the German and the Turkish capitals being united. Unless the former exercise pressure, the Turkish capital is always independent and always equally well-disposed to all. It is favourable to Germany, and act upon that is like considering a thing that has never happened as a manifest truth, which an intelligent politician does not do.

Whence arises England's desire to obtain the largest part of the capital of the railway? We would like to seek for the answer to this question in the commercial benefits of England in Iraq and the Persian Gulf. The tariffs might be so drawn up as to hinder British imports and commerce and encourage those of Germany.

This is irreconcilable with the fundamental foreign policy of Turkey. If the wish of England to obtain control of the railway is to avoid this, owing to the desires of the Sublime Porte and England being the same as regards the avoidance thereof, another remedy can be found. Or is it right to wish the last word about a line to be constructed in our country to be taken from us? It cannot be. For how can this be consented to?

If these questions are solved we hope that the Persian Gulf and Koweit harbour will be open to all. In the meantime, the British Government has over denied the sovereign rights of Turkey over Koweit. There having been no opposition over this fundamental point, all sorts of assurances can be given to England that the establishment of Turkish influence upon a solid basis in the Persian Gulf will not menace their Indian possessions. Turkey is very far from pursuing a policy of aggression.—HOSSEIN DAHID.

[33717]

No. 76.

Sir G. Lowther to Sir Edward Grey — (Received August 28)

(No. 587.)

Sir,

Therapia, August 23, 1911.

A PRELIMINARY agreement concerning the construction of railways in Anatolia and Albania appears to have been reached between the Porte and the Régie générale des Chemins de Fer at an earlier date than the embassy had hitherto had reason to suppose, for, on the 28th June last, a "déclaration" was signed by the Minister of Finance, the director of the Imperial Ottoman Bank and by MM. Delaunay and Sallandrouze de Lamornaix, representing the above-mentioned company, which practically secured these undertakings to the French group. The "déclaration" of which a copy is enclosed, states that an understanding had been reached by the parties for the purpose of entrusting the construction of the Anatolian system to the Régie générale des Chemins de Fer, and that the Ottoman Government has approached the Imperial Ottoman Bank for the purpose of obtaining the necessary loans to carry out the works; and it lays down in five articles the general conditions which are to govern the construction contracts for the Anatolian and the "contrats d'études" for the Albanian system.

Contracts for some, and probably for all, the railways comprised in these two systems were signed, as reported in the despatch from this embassy No. 548 of the 2nd August on the 29th ultimo, but up to the present I have only been able to obtain possession of the text of one of them, viz., that for that portion of the Danube-Adriatic Railway that lies within Turkey, i.e., the Merdiver-Pendik-Dünya-San Giovanni di Medua line. From the copy, which I have the honour to transmit to you herewith, it will be seen that the contract is not with the Régie générale des Chemins de Fer, but with the Salonica-Constantinople Junction Railway Company, who are, I understand, to make the contract over to the Régie générale in consideration of a sum of 1,000,000 fr. The reason for this arrangement seems to be merely that the Salonica-Constantinople Junction Company were the first in the field in 1908 to apply for the concession, and that it was in their favour that the Servian Government withdrew its own application in June 1910. The whole of the negotiations for this contract were completed, however, after it was actually signed. I may remind you that the working of this line was ceded to the Régie générale in December 1895 for twenty years (see "Young," vol. iv, p. 103).

As regards the Albanian system, which was also signed on or about the 29th July, there still remains the contract with the Imperial Ottoman Bank for the requisite financial arrangements. This cannot be definitely drawn up until the estimates for the railways have been prepared, but according to the "déclaration" the time is limited to one year from the date of this "déclaration," i.e., the 28th June last.

I have, &c.

GERARD LOWTHER.

Declaration.

MM. S. Lamornaix et F. Delannuy, agissant au nom et pour compte d'un groupe
ont été chargés par le conseil d'administration de confier audit groupe la construction pour le compte du
exploitation aux clauses et conditions à déterminer ultérieurement,
le fer suivantes : Samsoom-Sivas, Sivas-Kharput-Erzinjan,
Erzeroum-Trebizonde, le tout constituant le réseau dit

Dans le même but, le Gouvernement ottoman a entamé des pourparlers avec la Banque Impériale ottomane en vue d'assurer par voie d'emprunt les ressources nécessaires à la construction des lignes ci-dessus indiquées.

L'exécution des contrats de construction et d'exploitation des lignes mentionnées (réseau "A"), ainsi que des contrats d'études relatifs aux lignes de "Albanie", est soumise à l'accomplissement des conditions ci-après : -

1. Le groupe précité prend l'engagement de s'employer auprès de la Banque pour obtenir les avances de la trésorerie de la Banque de la présente déclaration, l'opération financière qui doit fournir les sommes nécessaires à la construction des lignes du réseau " A

De son côté la Banque Impériale ottomane étudiera, de concert avec le Ministère des Finances, cette opération financière, de manière à pouvoir la faire aboutir en temps utile, "avant l'expiration du délai d'une année et dessous les ententes définitives sont intervenues avec le groupe préité pour la construction et exploitation des lignes du réseau "A."

3. Les contrats à intervenir entre le Gouvernement ottoman et le groupe précité pour l'exploitation du réseau "A" ne deviendront définitifs qu'après l'achèvement complet du réseau et la réception provisoire des lignes de ce réseau par le Gouvernement ottoman.

Si le groupe précité ne construit pas ce réseau dans les délais et aux conditions prévus par les conventions qui seront conclues ultérieurement, sauf, bien entendu, le fait des circonstances indépendantes de sa volonté, ledit groupe perdra ses droits à la construction des tronçons non exécutés, et le Gouvernement ottoman reprendra son entière liberté d'action en ce qui concerne l'exploitation de la totalité.

3. Enfin la question de l'épuration financière indiquée plus haut n'aboutirait pas, les conventions à conclure pour le réseau "A," ainsi que les contrats d'études relatifs aux lignes de l'Albanie, seraient considérés comme nuls et non avenue, et le Gouvernement ne sera tenu d'indemniser le groupe précité ni à titre de frais d'étude, ni à quelque titre que ce soit; il est cependant entendu que les études et projets dressés par le groupe précité pour les lignes de l'Albanie resteront la propriété dudit groupe.

4. Par contre, dans le cas où l'opération financière ayant abouti, le Parlement, malgré la demande et l'appui du Gouvernement ottoman, ne ratifierait pas tant ladite opération que les conventions à conclure pour la construction et l'exploitation des lignes de chemin de fer, les frais des études effectuées et des projets rem boursés aux conventions intervenues, les frais des études effectuées et des projets remboursés au Gouvernement ottoman.

5. Les clauses et conditions de la construction et de l'exploitation des lignes ferrées du réseau "A" seront arrêtées dans un délai maximum d'un an à partir de la date de la présente déclaration.

Si les parties contractantes n'arrivaient pas à s'entendre sur les clauses et conditions avant l'expiration de ce délai d'un an, toutes les conventions relatives aux lignes ferrées mentionnées dans la présente déclaration, seraient considérées comme nulles et non avenues, et le Gouvernement n'aurait rien d'autre à payer que les frais des études effectuées pour les lignes de l'Albanie, les projets y relatifs devenant la propriété du Gouvernement.

La 28 juun, 1911

$$f^* \cdot \mu \in \mathcal{M}^+ \quad \text{on } \mathcal{B}.$$

ENTRE son Excellence Houloussi Bey, Ministre du Commerce et des Travaux publics, agissant en vertu de ses pouvoirs, et M. S. A. le vizir de Lamornair, agissant en confirmation des pouvoirs qui lui ont été conférés par le conseil d'administration de la Compagnie du Chemin de Fer ottoman Junction de Constantinople, appelée ci-dessous la "Compagnie ottomane," d'autre part, il a été convenu ce qui suit :

ARTICLE 1^{er}

La Compagnie ottomane s'engage envers le Gouvernement ottoman, qui accepte, à faire, suivant le tracé qui sera arrêté d'accord avec le Gouvernement ottoman, les études d'un chemin de fer à voie normale de 1 m. 43 centim. d'écartement partant de la frontière turco-serbe (Col de Merlaré), passant par Prizrend et la vallée du Drin Noir pour aboutir, par la vallée du Mat, à Saint-Jean de Médus, avec embranchement sur Scutari, ainsi que du port et des installations maritimes à Saint-Jean de Médus permettant l'accès direct du chemin de fer à la mer.

Les caractéristiques de ces lignes, outre les principales ci-après définies, seront celles des lignes actuellement existantes dans l'Empire ; particulièrement les courbes ne descendront pas au dessous de 300 mètres de rayon et les déclivités n'excéderont pas 20 millim. sauf en cas de nécessité absolue, reconnue par le Ministère, où elles pourront atteindre 25 millim.

Article 2

La Compagnie concessionnaire s'engage à présenter au Ministère des Travaux publics, dans un délai de six mois, à partir de la signature des présentes, en triple expédition, dont une sur toile, l'avant-projet du tracé desdites lignes.

Le dossier y relatif devra comprendre :—

2. Le plan général à l'échelle de 1/5000, représentant, sur une largeur de 300 à 500 mètres en plaine et de 200 à 250 mètres dans les gorges et terrains escarpés, le relief du terrain au moyen de courbes de niveau.

hauteurs, dont les côtes seront rapportées par rapport au niveau moyen de la mer prise pour point de comparaison ; au-dessous de ce profil, on indiquera, au moyen de trois lignes disposées à cet effet, savoir :—

- (a) Les distances kilométriques et hertométriques du chemin de fer comptées à partir de son origine
- (b) Les parties droites et les courbes avec leurs rayons ;
- (c) Les déclivités et leur longueur ;
4. Les profils en travers type de la voie ;
5. Les types de la voie métallique ;
6. Les plans d'ensemble des stations du 1^{er}, 2^e et 3^e classe ;
7. Un état complet du matériel roulant, qui sera du type généralement adopté en Turquie

Il est bien entendu que dans le cas d'empêchements de force majeure, dûment constatés, le délai prévu pour la présentation de l'avant-projet serait prolongé d'une durée à fixer suivant les circonstances d'accord avec le Ministre des Travaux publics, mais qui, en tout cas, ne sera pas inférieure à celle de l'interruption, et à la condition toutefois que la Compagnie ottomane en avise par écrit les autorités locales et le Ministère des Travaux publics.

Le Gouvernement ottoman fera accompagner la mission d'études par 4 délégués, dont 2 officiers et 2 ingénieurs. La Campagne ottomane versera mensuellement à la caisse du Ministère des Travaux publics, pour être répartie entre les ayants droit, une somme égale aux allocations de diverses natures dues à ces ingénieurs et officiers sans toutefois que le montant correspondant puisse dépasser £ T. 200 par mois.

Toutefois, si après avoir exécuté une partie desdites études, il venait à surgir des circonstances extraordinaires qui ne permettraient pas de les achever, la Compagnie ottomane présenterait le dossier des études exécutées, et dans ce cas les études faites seraient payées, sur la base des conditions arrêtées ci-dessus, à la Compagnie ottomane.

ARTICLE 8

Toute contestation ou différend provenant de l'interprétation du présent contrat sera soumise à l'arbitrage de la Commission Arbitrale Internationale de Paris, à cette décision.

HOULOUSSI

[33785]

No. 77

(X₁, ..., X_n)
 81E

St. Petersburg, August 23, 1911.

I HAVE the honour to transmit to you herewith the text of the Russo-German agreement, which was signed here on the 19th instant by the Acting Minister for Foreign Affairs, M. Neratof, and the German Ambassador, Count Pourtales.

The agreement as it now stands, in its final shape, differs in two important points from the original agreement. The first of these is the addition of the 2nd article, Secret, of the 12th of last month. By the addition of a few words to the 2nd article, Germany acquires the right to secure for herself the concession for the Tehran-Khankin line should neither Russia nor the financial syndicate to whom Russia may delegate her authority have commenced its construction within the prescribed term. While, by the suppression of the 2nd paragraph of the 3rd article, she evades taking any engagement in writing with respect to the construction of railways in the zone between the Bagdad and the Persian railways. As the linking up of the Bagdad Railway with the future Russian railway system is not mentioned in the agreement, it is not surprising that she should claim the reversion of the concession for the line by which this object is to be effected as a guarantee that the concession will not remain a dead letter. On the other hand, the formal recognition of this claim by Russia may, as the "Novoye Vremya" points out, provide direct railway access for German goods to the Persian capital before the construction of the railway from the Russian frontier to Tehran has rendered a similar service to Russian trade. This is after all but a remote possibility which Russia should not find it difficult to avert, and her recognition of Germany's right to this reversion is but the logical outcome of her consent to the linking up of the two railway systems.

The omission of the clause in the 3rd article of the Russian draft, embodying the engagements which Germany was to take with regard to the construction of railways running towards the Russian and Persian frontiers, is a much more important matter. In the conversations which I had with M. Sazonow last winter his Excellency repeatedly assured me that this was a point on which he would not yield, though it might be necessary to replace the clause in question by an exchange of secret notes. When therefore M. Neratof told me in strict confidence that Germany had given a categorical verbal assurance that she would not build any railways in the zone in question except such as she was entitled to build under the Bagdad Railway Concession, I reminded his Excellency of the language which M. Sazonow had formerly held to me, and expressed my surprise at his being contented with such a verbal assurance as well as at his admitting Germany's right to construct short lines from the Diaks towards the Persian frontier, and from Mosul to Arbil in addition to the line from some point on the main line to Dharbeker and Kharput.

His Excellency replied that the two lines to which I had referred were unimportant branch lines of no strategic value, and that the Russian military authorities had waived the objections which had been originally raised to them. After the communication which they had made to the Porte in consequence of the publication of the draft

[1510]

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agreement by the "Evening Times," the German Government had declared that it was impossible for them to give any engagement in writing with respect to the railways referred to in the 3rd Article. The insertion in the agreement of a special article respecting these railways was now altogether out of the question, while the secret was sure to leak out should recourse be had to an exchange of notes. The Russian Government had therefore, accepted their verbal assurance. M. Néretof added that in doing this they had given a moral satisfaction to Germany's *amour-propre*, that the construction of these railways was a matter which really only interested Russia; and that the fact that an engagement had been consigned to writing was nowadays no guarantee that that engagement would be kept.

I remarked that his Excellency seemed to me to underestimate the importance of the two branch lines to which I had drawn his attention, and that in any case I thought the Imperial Government had done more than suffice *amour-propre* by withdrawing their opposition to the whole Bagdad Railway scheme. M. Sazonow, I said, had always told me that whatever might be the interpretation given to the term "Bagdad Railway," Russia would continue to co-operate with us just as much after as before the signature of the agreement, and I should like to know whether his Excellency thought that it would still be possible for Russia to support us should difficulties arise with regard to the construction of the Gulf section. M. Néretof replied that Russia was under no obligation to facilitate the construction of the railway, and that though she could not now have recourse to methods of direct obstruction, she would still co-operate with us in many ways and give us her indirect support. Though his Excellency's language was not very clear on this point, I gather that Russia would still be able to support any scheme which we might put forward with regard to the construction of the Gulf section, even though it did not meet with Germany's approval.

The agreement, taken as a whole, must undoubtedly be regarded as a diplomatic success for Germany, and a retrospect of the various phases of the negotiations, which have extended over the past nine months, does not tend to enhance the reputation of those who have conducted them on Russia's behalf. The initial mistake was committed when M. Sazonow allowed himself to be entrapped, during his conversations with M. Kiderlen, into giving verbal assurances of which he did not at the time realise the full significance. This was due to his want of experience as a negotiator and to his not weighing his words, rather than to the deliberate intention of throwing over the other two members of the Triple Entente. Thus, without any previous consultation with them, he had pledged Russia to withdraw her opposition to the Bagdad Railway scheme, and though he subsequently endeavoured to restrict this engagement to the Koumouh Bagdad line, it was clear from the outset that Germany would hold him to the strict letter of his bond. His disregard of the understanding on which the three Governments had hitherto acted that no individual member of the Triple Entente would make any arrangement with Germany till the other two had obtained their respective claims, the vacillation and deplorable weakness which he displayed in the discussion over the Khanikin-Telraan line, and the uneasiness

neither Russia nor Germany would join any combination that could in any way be directed against the other, all combined to produce the impression that a serious blow had been struck at the stability of the Triple Entente. Fortunately these fears proved to be unfounded, for, despite his occasional back-slidings, M. Sazonow was at heart a firm advocate of the maintenance of that understanding. M. Néretof, who took up the threads of the negotiations when M. Sazonow was incapacitated by illness, is equally sound on this point, though he has been obliged to follow in M. Sazonow's footsteps and to make further graceful concessions to Germany. He assures me, however, that there is absolutely nothing kept back that does not appear in the published text of the agreement, beyond the verbal assurances given by Germany respecting railway construction to the north of Khanikin, and that since the German Chancellor made his statement in the Reichstag last winter nothing more has been said about the combinations into which Germany and Russia should refrain from

signature of the Russo-German agreement at this juncture has come somewhat as a surprise, as it was generally expected that the negotiations would have dragged on for weeks, if not for months. The reason for this acceleration is probably to be found in the present critical state of international politics. To have signed an agreement with Russia at a moment when she is engaged in a very delicate conversation with France is no doubt regarded by Germany as a valuable asset;

while M. Kiderlen may congratulate himself on having scored a success which will strengthen his position with regard to the compensation which he originally demanded from France. Russia, on the other hand, is watching with keen interest the development of the situation in Persia, and, as it is impossible to foresee at present what may be the outcome of the crisis through which that country is passing, she is no doubt well pleased to have concluded an arrangement under which Germany leaves her a free hand in northern Persia.

I have, &c.
GEORGE W. BUCHANAN

Enclosure in No. 77

Russo-German Agreement.

LES Gouvernements russe et allemand, partant du principe de l'égalité de traitement pour le commerce de toutes les nations en Perse; considérant, d'une part, que la Russie possède dans ce pays des intérêts spéciaux et que, d'autre part, l'Allemagne n'y poursuit que des buts commerciaux; se sont mis d'accord sur les points suivants:

ARTICLE 1^{er}

Le Gouvernement Impérial d'Allemagne déclare qu'il n'a pas l'intention de rechercher pour lui-même ou d'appuyer ou favoriser des ressortissants allemands ou de sujets étrangers—au nord d'une ligne partant de Khar-Chirin, passant par Isfahan, Yazd et Kiaklik et aboutissant à la frontière afghane à la latitude de Ghazik—des concessions de chemins de fer, de routes, de navigation et de télégraphes.

ARTICLE 2.

De son côté, le Gouvernement russe, ayant en vue d'obtenir du Gouvernement allemand une concession pour la création d'un réseau de voies ferrées dans le nord de la Perse, a accepté, sans aucune concession pour la construction d'une ligne de chemin de fer allant de Khar-Chirin pour raccorder sur la frontière persane la ligne Sadidje-Khanékin, dès que cet embranchement aura été achevé. Une fois cette concession obtenue, les travaux de construction de ladite ligne devront être commencés dans deux ans et terminés au plus tard au bout de quatre années. Le Gouvernement russe se réserve de fixer en son temps le tracé définitif de la ligne en question tout en tenant compte des desiderata du commerce international sur la ligne Khanékin-Teheran, ainsi que sur celle de Khar-Chirin à Bagdad, en évitant toutes mesures qui pourraient l'entraver, telles que l'établissement de droits de transit ou l'application d'un traitement différentiel. Si, au bout de deux années à partir du moment où l'embranchement Sadidje-Khanékin du chemin de fer Koumouh-Bagdad aura été achevé, il n'est pas procédé à la construction de la ligne Khanékin-Teheran, le Gouvernement russe avisera le Gouvernement allemand qu'il renonce à la concession se rapportant à cette dernière ligne. Le Gouvernement allemand sera libre dans ce cas de rechercher, de son côté, cette concession.

ARTICLE 3.

Reconnaissant l'importance générale qu'aurait pour le commerce international la construction de la ligne de chemin de fer en question, les deux Gouvernements s'engagent à ne pas prendre de mesures visant à en entraver la construction ou à empêcher la participation de capitaux étrangers à cette entreprise, à condition, bien entendu, que cela n'entraîne pour la Russie aucun sacrifice de nature pécuniaire ou économique.

ARTICLE 4.

Le Gouvernement russe pourra confier l'exécution du projet de la ligne de chemin de fer reliant son réseau en Perse à la ligne Sadidje-Khanékin à un groupe financier étranger à son choix, au lieu de la faire construire lui-même.

ARTICLE 5.

Indépendamment de la manière dont la construction de la ligne en question sera effectuée, le Gouvernement russe se réserve le droit à toute participation aux travaux qu'il pourrait désirer, ainsi que celui d'entrer en possession dudit chemin de fer, au prix des frais réels encourus par le constructeur. Les hautes parties contractantes s'engagent, en outre, à se faire participer mutuellement à tous les privilèges de tarifs ou d'autre nature que l'une d'elles pourrait obtenir à l'égard de cette ligne.

Dans tous les cas les autres stipulations du présent arrangement resteront en vigueur.

[33766]

No. 78.

Sir G. Buchanan to Sir Edward Grey.—(Received August 28.)

(No. 238)

Sir,

St Petersburg, August 23, 1911.

IN a conversation which I had with the Acting Minister for Foreign Affairs just after the signature of the Russo-German agreement, his Excellency informed me that the publication of the text of the agreement in the semi-official "Rossia" would be accompanied by an article on Russia's position with regard to the 4 per cent. customs increase and the Triplo Entente.

The article duly appeared in the issue of the 20th August. It is mostly devoted to a recapitulation of the terms of the agreement, and the only points that call for attention are passages in which is given what may presumably be taken to be the official Russian interpretation of certain of its provisions.

With regard to the preamble, for instance, it is stated that the term "special interests" must evidently be understood to mean "the interests of a political, strategical, and economic character" which Russia possesses in Persia in virtue of her geographical position. It will be remembered that in the original draft the words used were "special political interests," and that the word "political" was omitted from the text as eventually adopted for signature.

The period allowed for the completion of the Tehran-Khanikin line is somewhat vaguely stated in article I of the agreement, which might be interpreted as allowing either four or six years for the completion of the line. The "Rossia" article shows clearly that the Russian interpretation is that two years are allowed for obtaining the concession and a further four years for the actual work of construction.

With regard to article 5 the semi-official article states that the reserve as to pecuniary and economic sacrifices which Russia couples with her promise not to impede the Bagdad Railway scheme refers clearly to the proposed 4 per cent. customs increase.

In a somewhat cryptic paragraph the article then refers to the wider scope of the Potsdam conversations, in which the interests of the two Powers in the Near East, as well as in Persia, were discussed. The present agreement, it says, does not give expression to all the conclusions arrived at by the two statesmen at Potsdam, but,

ethelness, the friendly relations established at Potsdam remain in full force, and Russia, as well as others, an undoubted right to reckon on an entirely friendly policy on the part of Germany in questions of railways and other matters affecting the political, economic, and strategic interests of Russia.

The article then asserts that the agreement in no way changes the grouping of the Franco-Anglo-Russian understanding remain, as formerly, the firm basis of the policy of the Russian Government."

I have, &c.

GEORGE W. BUCHANAN

[33767]

No. 79.

Sir G. Buchanan to Sir Edward Grey.—(Received August 28.)

139.)

St Petersburg, August 23, 1911.

ion of the Russo-German agreement with regard to Persia has, in St. Petersburg press, and M. Neratof of be somewhat disappointed by the absolute lack of any display of enthusiasm.

long strain of uncertainty, but otherwise has little of good or ill to say of the agreement. It points out, however, that Germany's declaration of political "disinterestedness" is merely a repetition of her assurances with regard to Morocco, and wonders whether it be any more binding.

The article compliments Russian diplomacy on its action in including in the zone, in which Germany undertakes not to seek concessions, the small strip of neutral territory along the Afghan frontier. It thinks this will tend to prevent complications, critically at least, it will exclude German adventurers from that region. It word to say for Russia's reserve as to her pecuniary and economic th regard to the Bagdad Railway, which will enable her to withhold her poses of the

It criticises sharply the arrangement with regard to the Tehran-Khanikin line as at the only chance left for Russia to build the trans-Persian line to India as promptly as possible. Otherwise Russian traders in North Persia may as well shut up shop and return home, for their places will be taken by the Germans, which is always violently against Russia.

It cites Algerias and Morocco as d. It concludes with the taunt that the date of the publication of chosen in order to humiliate Russia in the eyes of her ally France by a breathing space in the ridiculous position in which she found

The "Hanse Gazette" remarks satirically that in the agreement "obligations are distributed evenly—at least, numerically speaking." Russia has lost everything that she once possessed in Persia, but this is due rather to her own policy than to any fault of Germany, who has only acted in accordance with her notions and left out of consideration everything but her own material interests. The paper does not think that Germany will follow her Moroccan tactics in the case of the Russo-German agreement, as the maintenance of good relations with Russia is a political dogma of the German Emperor.

The "Spectator," the organ of the Nationalists and the Right, says that the balance of Germany, but nevertheless was not it as putting use and in the hope that it may induce Russia to build her own railway into Persia and so save it from the Germans.

"The Echo," the organ of the Extreme Right, takes an unexpectedly anti-German line. It points out that, with any considerable development of German trade in Persia, Germany, whatever she may say now, is bound to have political interests in that country. The dangerous part of the agreement is that in which a limit is set for the construction of the Tehran-Khanikin line. The article urges the immediate construction of railways in Persia, but warns its readers against being carried away by fantastic schemes, such as the line to India. What is required is a cheap type of line to carry goods at slow speed.

Articles will continue to appear in many of the papers, but the above brief summaries of the published views of the chief papers of widely different political complexion are, I think, sufficient to show that the agreement has not been hailed with enthusiasm in any quarter.

I have, &c.

GEORGE W. BUCHANAN.

[32601]

No. 80.

*Foreign Office to India Office**Foreign Office, August 28, 1911*

Sir, I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 18th instant, relative to the inclusion of certain areas in the survey which is shortly to be made in the Persian Gulf.

As regards the waters of the Khor Abdullah and the Khor A.
adjoin the islands of Warba and Babian and the approaches to the Is.

Sir, Grey concurs in the opinion of the Marquess of Crewe that the survey should be proceeded with immediately.

As regards the territorial waters of the El Kafil coast, on the other hand, in view of the fact that His Majesty's Government have recognised the claims of Turkey as far south as Ujeir, he considers that no survey should take place.

It will be within the limits indicated in the
"Government Secret Series" Print, the 24th July, Section 1), and should not encroach on regions where Turkish sovereignty is admitted in that communication.

Sir E. Grey would therefore suggest that the terms of the draft telegram enclosed in your letter should be modified in this sense:

I am, &c.
LOUIS MAILLARD

[31875]

No. 81

*Sir Edward Grey to Sir G. Lanthier**Foreign Office, August 29, 1911*

Sir, I HAVE received your Excellency's despatches Nos. 548 and 551 of the 2nd instant relative to schemes of railway construction by French
Minor in relation to Anglo-French financial co-operation in Turk
language used by you to your French colleague, as reported in the
despatches.

I am, &c.
L. MAILLARD

[34110]

No. 82.

*India Office to Foreign Office.—(Received August 30)**India Office, August 29, 1911.*

Sir, I AM directed to advert to Lieutenant-Colonel Cox's letter of the 25th July last to the Secretary of State for Foreign Affairs, enclosing copy of Lieutenant Wilson's report on his survey of the route for a railway from Mohamudrah to Khorramabad.

Until the views of the Government of India are received the Secretary of State for India does not think it necessary to express an opinion on the conclusions arrived at by Lieutenant Wilson in his very interesting and valuable report; but he wishes to suggest that in any negotiations that the Persian Railways Syndicate
in respect of this line the rights and interests of the Sheikh of Mohamudrah
not be overlooked. From this point of view it is for consideration whether along with their application to the Persian Government they should not simultaneously apply to the Sheikh.

Sir E. Grey will no doubt consider the desirability, at a later stage, of
concerning to the syndicate some of the results obtained by Lieutenant Wilson.

I am, &c.
R. RITCHIE.

[34341]

No. 84.

Enclosure in India Office Letter.—(Received August 31.)

Government of India to the Marquess of Crewe.

(Telegraphic.) P

August 30, 1911

PLEASE refer to your telegram dated the 17th instant. Resident, Persian Gulf, whom we have consulted, has had interview with Sheikh of Koweit personally. As regards agreement of 1907 for lease of foreshore, sheikh, in the absence of more definite knowledge of present negotiations, is against disclosing details, on the following grounds:—

1. Because agreement mentions by name places respecting which overtures from other quarters have been reported by him.
2. Because provisions framed as a safeguard against possible contingencies, which may never arise, are contained in the agreement.
3. Because, in the event of negotiations between Great Britain and Turkey proving abortive, Turkish hostility against sheikh would be greatly increased by publication of details, while inconvenient gossip would in any case be caused among sheikh's own subjects.

It would be very undesirable in my opinion that any part of text of agreement should be furnished to Turkish Government. Its existence is already known to them (see despatch dated the 25th May, 1909, from His Majesty's Ambassador at Constantinople). A spontaneous intimation to Turkish Government that we have a lease of land at Koweit, but see no necessity to discuss details, would perhaps be sufficient. Provided always that we do not intend to diverge from its terms, sheikh welcomes publication of 1899 agreement. I think that, on the same understanding, we might communicate agreement to Turkish Government, but communication of any part of letter of 23rd January, 1899, from Colonel Meade, is deprecated. It is obviously undesirable to disclose paragraph 2; and only "good offices" are provided for in first paragraph, whereas sheikh was informed in December 1901 and October 1902 that we would protect Koweit and district against attack, and that attack on Koweit by Turkish troops or ships would not be tolerated by us (see Lord George Hamilton's telegrams of the 11th December, 1901, and the 14th December, 1902).

It would be sufficient, I suggest, if a note were appended to copy of agreement of 1899 to the effect that sheikh had subsequently been told by us that we charged ourselves to protect Koweit by land and sea and to support him and his heirs and successors, so long as they acted up to their obligations under the agreement.

Sheikh's undertaking not to allow any Government other than British to establish post office (see Secretary of State's telegram of the 19th February, 1904, and enclosure in our letter of the 27th October, 1910), will presumably be furnished, as well as his agreement to prohibit any export of arms (see our letter dated the 11th July, 1900).

All or any of our treaties with Bahrein and Trucial coast might be communicated to Persian Government, as we have none besides those in Aitchison's "Treaties, &c." which is a published work. I see no objection to 32nd and 46th being excluded, except that their exclusion might cause misunderstanding.

[1510]

2 B*

[33565]

August 30, 1911

or letter of the

in the third paragraph of your letter would be able at any time, if they could produce the money, to buy out the syndicate at two years' notice. Apart from this, the system indicated is doubtless preferable from every point of view to that described in the succeeding paragraph, and the objection to it which I have noted above might be met by providing that bonds should not be redeemed otherwise than by the operation of the sinking fund, and that the redemption should not proceed at more than a prescribed rate during a given period of years. I see from the amended draft of the contract which was actually telegraphed to Tehran (enclosed in your letter of the 16th August), that you have inserted in article 1 a provision to the effect that the sinking fund of 1 per cent should come into operation for a period of five years after the opening of the line to traffic, and it appears from a letter which we have received from the Board of Trade that the syndicate would favour the insertion of a further provision that the Persian Government's payment towards a sinking fund for the redemption of the bond issue should not during a period of twenty or twenty-five years exceed the rate of 1 per cent. This would secure to the syndicate a tenure of twenty-five or thirty years in all, and, in our view, obviate the sole objection to the scheme, more especially in view of the fact that the Persian Government being able to pay off the bonds is exceedingly remote.

I observe that in article 7 of the revised draft the words "uncharged surplus of" are inserted before the words "the customs duties of Southern Persia." This amendment anticipates an objection which we should have had to the original draft.

As regards article 16, His Majesty's Government contemplate surveying the Bushire-Ferozabad-Shiraz road, with a view to the possibility of adapting it for motor traction. If it is decided that this is practicable and desirable, and if the plan is carried out, some arrangement could no doubt be arrived at with the syndicate.

We do not like the inclusion of article 22 in the contract. It would of course be impossible to avoid a recourse to His Majesty's Minister in practice if a dispute had to be settled through the diplomatic channel, but it seems to us undesirable thus to appoint him as arbitrator. In a dispute between the Persian Government and the syndicate he would certainly be suspected by the former of bias in favour of the latter, and he would be placed in the invidious position of being both judge and advocate. Could it not be provided instead that disputes, if they cannot be settled by negotiation should be referred to one of the other foreign representatives selected by the two parties?

Yours sincerely,
LOUIS MALET

[31875]

No. 84

Foreign Office to Mr. D'Arcy.

Sir,

Foreign Office, August 30, 1911.

WITH reference to the letter from this Office of the 13th January last relative to your interests in Eastern Anatolia and Mesopotamia, I am directed by Secretary Sir Edward Grey to inform you that he has received a despatch from His Majesty's Ambassador at Constantinople, from which it appears that the so-called "Chester"

canalway construction may be considered definitively to have failed. Sir G. Lowther accordingly suggests that it might be worth your while to renew your application to the Turkish Government for a concession to work the deposits of mineral oil in those regions.

Sir G. Lowther adds that your agent is at present absent from Constantinople.

I am, &c.,
LOUIS MALET

[32723]

No. 85

Foreign Office to Board of Trade.

(Confidential.)

Sir,

Foreign Office, August 31, 1911.

With reference to the letter from the Board of Trade dated 27th inst. regarding the proposed Trans-Persian Railway, I am directed by Secretary Sir Edward Grey to state that he would be glad to learn the opinion of the Board of Trade on the question whether His Majesty's Government would be justified in undertaking to guarantee the line.

A complete file of the correspondence exchanged on this subject, some of which has not yet been communicated to the Board, is transmitted herewith for their information and to assist them in forming a conclusion.

[32723]

No. 86

Foreign Office to Treasury

(Confidential.)

Sir,

Foreign Office, August 31, 1911.

I AM directed by Secretary Sir Edward Grey to transmit to you herewith a copy of correspondence respecting a proposal for the construction of a Trans-Persian railway, and to state that he would be glad to learn the opinion of the Lords Commissioners of His Majesty's Treasury on the question whether His Majesty's Government would be justified in undertaking to guarantee the line.

LOUIS MALET

35028

No. 87

Mr. Greenway to Mr. Mallet.—(Received September 5.)

Winchester House, Old Broad Street, London,
September 4, 1911.

In regard to your letter of the 30th ultimo concerning the draft telegram

As regards the point dealt with in the second paragraph of your letter—viz., the entire of your view, and have guarded against this in the text of articles 19 and 34 of the draft contract sent to Mr. Brown, whereby it is made clear—

1 That the bonds shall be repayable by an amortisation fund of 1 per cent. per annum, commencing five years after the railway is opened; and
2 That the Government can only determine the contract two years after the bonds shall have been redeemed in accordance with the terms of the contract.

I point out, ensures a tenure of twenty-five to thirty years. It would be considered desirable to adapt the Bushe-Financière concession the syndicate would be quite prepared to consider for undertaking the work.

As regards your objection to article 22, Mr. Brown had in his telegram of the 20th ultimo, copy of which has been sent to you, raised the same point, and the syndicate have met it (as you will see from reference to article 38 on page 14 of enclosed copy of telegram to Mr. Brown*) by suggesting that one arbitrator shall be nominated by them and one by the Treasurer-General.

I will shortly send you a copy of the draft contract, up to date, in order that you may be in a position to follow the correspondence more closely.

Yours sincerely,
C. GREENWAY.

[33765]

No. 88

Sir Edward Grey to Sir G. Buchanan

(No. 240.)

Sir,

Foreign Office, September 5, 1911.

I HAVE received your Excellency's despatch No. 240, forwarded, with observations, the text of the Russo-German Agreement respecting Asiatic Turkey and Persia.

I approve the language held by your Excellency to the Russian Minister for foreign affairs in the course of the conversation which you had with him on the subject.

I am, &c.
E. GREY.

[35420]

No. 89

Mr. Greenway to Mr. Mallet.—(Received September 8.)

Winchester House, Old Broad Street, London,
September 4, 1911.

4th instant I was informed that the tenure that would be secured by an amortisation fund of 1 per cent. per annum was about the correct actuarial actual figures are as below:—

A 1 per cent. accumulating sinking fund invested at—

5 per cent. per annum would require 36½ years to extinguish the principal.

Therefore the tenure secured by a 1 per cent. amortisation fund applied in annual purchases of the bonds (the most conservative method of employing the money, and therefore the quickest method of extinguishing the bonds) would be 36½ years, plus the five years before it came into operation, i.e., a minimum period of 41½ years from the date of opening any one line for traffic.

I do not understand the reference you have had from the Board of Trade, because we have had no communication with them on the subject. Possibly their letter referred to some other negotiations for railways in Persia.

In any case we have not suggested any payment by the Persian Government towards the sinking fund, other than the 1 per cent. per annum which is to be provided out of the railway earnings, or by the Government if the railway earnings do not suffice to cover this 1 per cent., in addition to the interest on the bonds &c.

Our syndicate, of course, desires to secure the longest tenure possible, and will bear this in mind in arranging the details of the amortisation scheme with the Persian Government. Under the Bagdad Railway concession the Germans, I believe, have a tenure of 100 years, and this we should secure if we can arrange that the amortisation be effected by annual drawings at the rate of 1 per cent.

Yours, &c.
C. GREENWAY

Enclosure in No. 89.

Contract between the Persian Government and the Persian Railway Syndicate.

CONTRACT entered into between the duly accredited representative of the Government of His Imperial Majesty the Shah of Persia (hereinafter called "the Government") of the one part, and the Persian Railways Syndicate (Limited), a company of the other part, and the Persian Railways Syndicate (Limited), a company

[1510]

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incorporated under the laws of the United Kingdom of Great Britain and Ireland (hereinafter called "the syndicate"), of the other part, for the survey, construction, and working of the railways and other works hereunder mentioned, subject to the provisions of this contract.

ARTICLE 1. The Government grants to the syndicate the exclusive privilege, during the period of this contract for the survey, construction, and working of the railways hereunder mentioned in the kingdom of Persia, to be worked entirely or in part by steam or by electricity, at the discretion of the syndicate.

Firstly. A line of railway commencing from Mohammerah and [or] Khor Musa, or other convenient point adjacent thereto, and running to Khorremabad or Burujird.

Secondly. A line of railway commencing from Bunder Abbas, or other convenient point adjacent thereto, and running to Kerman;

Thirdly. A line of railway commencing from Bunder Abbas, or other convenient point adjacent thereto, and running to Shiraz;

Fourthly. A line of railway commencing from Bunder Abbas, or other convenient point adjacent thereto, and running to Mohammerah.

and also of constructing and working a harbour or port at any of the above-mentioned termini. The expression "railways" or "railway," where used in this contract, shall include such harbour or port.

Art. 2. Unless the Government and the syndicate shall otherwise agree, the survey and construction of the said railways shall be proceeded with in the order mentioned in Article 1 hereof, and, subject to the provisions hereinafter contained, the survey and construction of the said railways subsequent to the railways hereinafter firstly described shall not be proceeded with unless and until the railway immediately proceeding shall have been opened for public traffic.

Art. 3. The Government guarantees to the syndicate that during the period of this contract it will not permit the construction of any other parallel or competing line of railway, of timber or of wire cables, or any parallel or competing organized system of mechanical transport within a zone of 50 kilom. on each side of the line of any of the said railways, without the previous consent in writing of the syndicate.

Art. 4. The Government shall grant to the syndicate, free of all cost to the syndicate or the said railways, such zones or strips of land as may be required for the line of the said railways, the stations, and the appurtenances thereof, and the syndicate shall be authorized to take on such lands the timber, materials, &c., which may be required for the construction or maintenance of such works. The Government shall also, by direct grant, or by arrangement with the local chiefs or other owners, grant to the syndicate the right, free of cost, to take on other lands belonging to the Government or such local chiefs or other owners timber, materials, &c., required for the construction or maintenance of such works.

Art. 5. The Government grants exemption from all import duties, navigation dues or charges, and all other fiscal dues or charges for all the materials of the said railways, rails and their accessories, rolling stock, tools, implements, machinery, instruments, apparatus, pump sheds, wire for telegraphs and fences, telegraphic and telephonic apparatus, and all other articles whatsoever which may be required for the survey, construction, working, and maintenance of the said railways, and grants to the syndicate the right to use all rivers and roads within the Empire of Persia for the conveyance of all such materials and things.

Art. 6. The said railways and the enterprise of the survey, construction, and maintenance thereof and the receipts therefrom shall, during the period of the contract, be exempt from the payment of any Imperial, departmental, municipal, or local tax or fiscal charge, and also from any registration, transfer, or other duty on its connected with the service thereof, and from stamp duties of all

Art. 7. The employés, workmen, and other staff in the service of the said railways shall be deemed to be Government servants, and in such capacity shall be exempt from military service and from any civil or police duty other than in connection with the said

Art. 8. The Government shall furnish free of cost to the syndicate or the said railways the police or military force which may be necessary for the safety of persons or of property on any part of the said railways, both during the survey and construction thereof and after the same shall have been opened for public traffic, and shall afford the

syndicate and its agents every assistance in its power to enable the syndicate or its

and construction.

Art. 9. The syndicate may import mechanics, workmen, and labourers, together with all articles for their private and domestic use, free of import duty and other fiscal imposts.

Art. 10. During the period of this contract the chief officials in Persia on the said railways in connection with the construction, maintenance, and working thereof shall be appointed by the syndicate.

hereinafter firstly mentioned, and will employ competent persons to complete the same with all due diligence, and not later than eighteen months from the date of this contract.

The curves shall be of

situations. The said railways shall be constructed with all necessary apparatus for working the same throughout the whole length thereof, with all necessary apparatus for working the same.

Art. 11. On the completion of the said survey the syndicate shall forthwith submit to the Government a plan of the said railway and the stations and the appurtenances thereof, together with a specification of the works necessary for the construction thereof and of the materials, locomotives, rolling stock, plant, and other articles and things requisite and necessary for the construction and equipment thereof, and together also with an estimate of the cost of the construction and equipment thereof.

such plans, surveys, specifications, and estimates to be delivered by the syndicate to the Government in accordance with article 13 hereof. The costs, charges, and expenses of such surveys may at the option of the Government, be paid and satisfied either in cash or in Imperial State bonds similar to the recent issue of State bonds. Should the Government elect to satisfy such costs, charges, and expenses in Imperial State bonds they shall give to the syndicate notice in writing of such election, and thereupon the Government shall deposit with the Imperial Bank of Persia at the said Imperial State bonds sufficient at the price of

such plans, surveys, specifications, and estimates to be delivered by the syndicate to the Government in accordance with article 13 hereof.

Art. 15. The said survey shall be undertaken by the syndicate at the sole cost of the Government, and the syndicate shall during such survey render to the Government monthly accounts of the costs, charges, and expenses incurred by the syndicate in connection therewith and shall submit to the Government reasonable vouchers for all such costs, charges, and expenses, and the Government shall reimburse the syndicate such costs, charges, and expenses, and such account within one calendar

the syndicate on or before the delivery of the plans, surveys, specifications, and estimates to the Government in accordance with article 13 hereof. The costs, charges, and expenses of such surveys may at the option of the Government, be paid and satisfied either in cash or in Imperial State bonds similar to the recent issue of State bonds. Should the Government elect to satisfy such costs, charges, and expenses in Imperial State bonds they shall give to the syndicate notice in writing of such election, and thereupon the Government shall deposit with the Imperial Bank of Persia at the said Imperial State bonds sufficient at the price of

to cover the costs, charges, and expenses to be incurred in making such surveys, with authority to the syndicate to draw on the said Imperial Bank of Persia at the said Imperial State bonds sufficient at the price of 87½ per cent to satisfy the amount of such monthly certificate.

the syndicate shall have the right to construct the said railway hereinafter firstly described upon the basis of the said plans, surveys, specifications, and estimates to be delivered by the syndicate to the Government in accordance with article 13 hereof, subject to an

modifications thereof as shall have been agreed between the Government and the syndicate. The syndicate shall be at liberty to enter into any contracts with any persons or companies approved by the syndicate [sic] for the construction of the whole or part of the said railway, or the supply of the whole or any part of the materials required for the construction or equipment thereof, provided that the liabilities of the Government and the syndicate hereunder shall not by reason of any such contract be increased. The syndicate shall be entitled to retain for its share, out of any, between the estimated cost of the construction and equipment of the said railway and the actual cost of the construction thereof for the purpose of defraying any costs, charges, and expenses which may be incurred by the syndicate in connection with the subscription of the bonds mentioned in article 19 hereof or otherwise in relation to this contract and for its profit in connection therewith.

Art. 17. Upon the completion of the said survey the syndicate shall notify the Government the period within which the said railway will be constructed, in order that the same may be opened for public traffic, and shall commence the construction thereof within a period of six calendar months after the bonds mentioned in article 19 shall have been issued by the syndicate, and shall proceed with the construction thereof when commenced with all due diligence, in order that the same may be opened for public traffic as speedily as the circumstances will permit. Provided that the period to be notified by the syndicate for the construction of the said railway shall be subject to such extension as the circumstances may require in the event of the labour available for the construction thereof being inadequate or in the event of any delay arising from adverse political conditions.

Art. 18. The Government will appoint a qualified British or American engineer, who shall be subject to the reasonable approval of the syndicate, for the purpose of examining the works and of certifying that the same have been constructed in accordance with the said surveys, plans, and specifications, and that the same are ready to be opened for public traffic.

Art. 19. Before the syndicate shall be required to proceed with the construction of the said railway the Government shall create and the syndicate shall be authorised to issue a special loan of railway bonds sufficient at the price of 87½ per cent. to provide the amount of the estimate mentioned in article 13 hereof. Such railway bonds shall constitute a direct obligation of the Government to the holders or bearers thereof, and shall carry interest at the rate of 5 per cent. per annum from the date of issue, and shall be repayable by means of an amortisation fund of 1 per cent. per annum commencing five years after the said railway shall have been opened for public traffic. The principal moneys, interest, and other moneys payable in respect of the said railway bonds shall constitute a first charge upon the railways and the net receipts of the

Government in a manner and to an extent to be approved by the syndicate upon such revenue of Southern Peru as may be applicable to the purpose and be approved. Such customs duties or other accretions shall be paid to the Imperial Bank of Peru at some branch in Peru to be named by the syndicate to a special account twenty-one days prior to the date for payment of each half year's interest in respect of the said bonds. Should the amount so paid in not be sufficient for the payment of the said interest and to provide the proportionate part of the yearly amortisation fund, the Government shall forthwith make up any deficiency. The amounts so deposited shall be applied by the said bank in paying the interest to become due in respect of the bonds next after the date when such payment ought, in accordance with the provisions of this clause, to have been made, and the bank shall apply the balance of the moneys so deposited, or such part thereof as may be necessary, in redemption of the bonds in manner provided by the conditions endorsed on the bonds. Should the sums so deposited exceed the said liabilities, the Government shall be entitled to withdraw the balance in its favour immediately after the making up of each half-yearly account. The interest upon the said railway bonds during the construction of the said railway and for a period of two years after the same shall have been opened for public traffic shall be paid and provided by the syndicate so far as the provision for that purpose contained in the estimated cost will extend. Provided, however, that, should the company be prevented from constructing the railway on account of circumstances over which the syndicate has no control, the interest and amortisation fund in respect of the bonds shall, during the period that the syndicate are so prevented from constructing the railway, be paid by the Government.

Art. 20. The proceeds of the issue of the said railway bonds shall be deposited in a bank in London to be approved by the syndicate to the order of the syndicate and shall

be at the disposal of the syndicate as and when required for the purpose of defraying the costs, charges, and expenses incurred by the syndicate in connection with the construction of the said railway, and to the extent mentioned in article 19 hereof.

Art. 21. The syndicate shall be required to proceed with the survey of any of the railways mentioned in article 2 hereof or to commence the construction thereof as before provided in respect of the railway hereinafter mentioned.

Art. 22. On completion of the railway hereinafter firstly described, or earlier if the syndicate shall so agree, the Government may require the syndicate to proceed with the construction of the railway hereinafter secondly described.

Art. 23. On the completion of the railway hereinafter secondly described, or earlier if the Government and the syndicate shall so agree, the Government may require the syndicate to proceed with the construction of the railway hereinafter thirdly described.

Art. 24. On the completion of the railway hereinafter thirdly described, or earlier if the Government and the syndicate shall so agree, the Government may require the syndicate to proceed with the construction of the railway hereinafter fourthly described.

Art. 25. On the completion of the railway hereinafter fourthly described, or earlier if the Government and the syndicate shall so agree, the Government may require the syndicate to proceed with the construction of the railway hereinafter fifthly described.

Art. 26. On the completion of the railway hereinafter fifthly described, or earlier if the Government and the syndicate shall so agree, the Government may require the syndicate to proceed with the construction of the railway hereinafter sixthly described.

Art. 27. For the purposes of this contract the gross receipts of the said railways shall be the aggregate amounts, whether ordinary or extraordinary, which shall be received by the syndicate on such part of the said railways as shall be for the time being opened for public traffic. From the gross receipts from the working of the said railways there shall be deducted the following expenses:

- Working expenses.
- Cost of maintenance, both ordinary and extraordinary, of the lines, buildings, telegraphs, telephones, &c.
- Cost of the renewal of the fixed material and rolling stock.
- Expenses arising by reason of accidents or thefts, fires, or force majeure.

receipts to provide for the expenses mentioned in article 28 hereof, the object of the Government being the development of the districts to be served by the said railways by a tariff as low as can be reasonably fixed, and not the receipt of profits from

...als travelling by order of the competent authorities, and

travelling by order of the competent authorities, and producing a certificate signed by them, shall be exempted from the tariff rates. The syndicate shall not issue any free passes to any persons other than their own directors, staff, and employees. The syndicate may in special cases issue to special persons tickets at one-half of the tariff rates.

Art. 34. When and so soon as all the railway bonds issued pursuant to the provisions of this contract shall have been redeemed, and all moneys which shall have been advanced upon the securities of the said railways or any of them or the receipts thereof shall have been repaid, and all moneys payable by the Government to the syndicate under the provisions hereof at the date of the notice shall have been paid, the Government may thereafter, on giving two years' notice in writing, determine this contract, and at the expiration of such notice, and upon payment of any moneys payable to the syndicate by the Government under the provisions hereof at the date of such expiration, the syndicate shall place the Government in full possession of the said railways, their dependences and equipment.

Art. 35. During the continuance of this contract the syndicate will have the preferential right of constructing any extensions of the railways referred to in article 1 hereof, and also any other railways in Southern Persia which the Government may require to be constructed.

Art. 36. Every obligation of the syndicate under this contract shall be subject to the exception of force majeure, and the Government will indemnify the syndicate for any damages caused by Government.

to the exception of force majeure, and the Government will indemnify the syndicate and the enterprise of the said railways for the damages caused by Government forces or campaigns or by armed forces in rebellion against the lawful Government, the amount of the damage sustained and the mode of indemnification, in default of agreement between the Government and the syndicate, to be determined by arbitration in the manner provided by article 21 hereof. In the event of the suspension of traffic on the said railways by force majeure, the obligation of the Government to make good any defect in the gross receipts of the said railways as provided by article 2 hereof shall be in no way affected or diminished.

made in cash, the same shall be made at the current market rate of exchange.

Art. 38. In the event of any dispute or difference arising between the

the present convention in its respect. In case of a dispute or difference arising between either of the parties therefrom resulting, such dispute or difference shall be submitted to two arbitrators at Tehran, one of whom shall be nominated by the syndicate and the other by the Treasurer-General, and to an umpire who shall be appointed by the arbitrators before they proceed to arbitrate. The decision of the arbitrators, or, in the event of the latter disagreeing, that of the umpire, shall be final.

35028 No. 90

Mr. Mallet to Mr. Grenicay

I AM much obliged to you for your letter of the 4th September regarding the

terms of the contract which the Peruvian Railways Syndicate are presenting to the Peruvian Government in connection with railway construction in Southern Peru.

I note that all the points raised in my letter of the 30th August are satisfactorily dealt with.

Yours sincerely,
LOUIS MALLETT

India Office, September 1, 1911.

Survey at earliest date practicable of approaches to Bahrein, and also of waters of Khors Assabiya and Abdulla, which adjoin Bubiya and Warba Islands, is authorised by His Majesty's Government. As, however, Turkish claims have been recognised by His Majesty's Government as far south as Ojeir, no survey should take place in El Katif territorial waters. There should be no encroachment on regions over which Turkish sovereignty was admitted in British reply to Porte dated the 29th July (copy sent to India 24th idem), operations being kept within limits indicated in that re-

[35420]

No. 92.

Mr Mallet to Mr. Greenough.

Dear Mr Greenway,

Foreign Office, September 9, 1911

With reference to your letter of the 7th instant, I would suggest that the following alteration should be made in article 19 of the contract to be entered into between the Persian Railways Syndicate (Limited) and the Persian Government:

Article 10. After "upon" in line 14 insert "such revenues of Southern Peru as may be applicable to the purpose and be approved"

I understand that your company are prepared to agree to this alteration.

Yours sincerely

LOUIS MALLET

[35588]

No. 93

Sir G. Louthier to Sir Edward Grey.—(Received September 11.)

(No. 612.)

Sir,

Constantinople, September 2, 1911.

July, which I have received from His Majesty's vice-consul at Mosul, relative to the progress of the Bagdad Railway, &c., in his district.

I have, &c.

GERARD LOW MEER

Enclosure in No. 9.

Report respecting Progress of Hajdad Railway in the Mosul District.

[XII. Regulated Railway (last reference, paragraph 8 of my despatch No. 23 of the 3rd May .)]

MEISNER PASHA, chief engineer of the third section, arrived in Mosul

and by a Montenegrin named Georgi Popovitch, who apparently acts as a secretary, an

A revision of the survey made some years ago, which, my German colleague tel-

Tigris. It was his alleged intention to survey on his way, and he expected to reach his destination in about twenty days—a very short time if more than a superb

The chief engineer of this vilayet tells me that it is at present proposed to con-

Mosyl) with its nearest point by a branch. Such a branch, if carried across the Tigna,

It was reported in a previous despatch that work was proceeding on a new road from the Sinjar Gate, which is near the north-western extremity of Mosul, in the direction of Tel Afar and Sinjar. As yet only a few hundred yards of this road has been superficially made, and for some time the work has been almost at a standstill from lack of funds, but a further grant of money is expected soon, and it is possible that this work may prove to be more closely associated with the future railway than is at present admitted.

It must, however, be stated as an argument against the probable use for purposes of the road under construction that Mehemet Pasha is said to have a plan for a large building to contain forty offices a mile near the barracks and Government buildings at the southern extremity of the town. There the banks of the river would offer special facilities for bridging, should the line be carried across the Tigris, and would be reached without interfering with existing buildings or streets. Much of the neighbouring land is owned by one Suleiman Bey, with whom the German vice-consulate is believed to be cultivating especially friendly relations.

But my German colleague assures me that the main line is to enter Mosul at or near the Sinjar Gate.

It appears that Meisner Pasha is himself sceptical about the enterprise from the point of view of a profitable concern. The German vice-consul admits that a kilometre of railway has been given, and the vali told me in private conversation that he believes it to be the case.

Member Praba is reported to have said that he regards the lack of hard stone in this district as a serious difficulty.

Jorad Boy, chief of the staff of the Mosul army corps, who has spent some years in Germany, and was much with the German engineer during his stay in Mosul, tells me that when the railway company has submitted its plans and they have been approved by the British War Office, a reduction of the Suez Canal dues can be obtained. It is probable that all the material will be landed at Alexandria and the idea of simultaneous work

undertaken or so
that no consideration

The recent discoveries would seem to be further proof of the existence of an extensive oil-field.

A sample of brimstone found near Tel' Asar was recently shown me by a native of Mosul, who has resided some years in the United States, and is the only authority here on such matters. He assures me that it contains about 75 per cent. of pure sulphur, and that he believes it to exist in considerable quantities. The same enterprising native has recently experimented with some coal found near Zakho, and pronounces it the equal of the soft quality known in England as "Canell" (?), coal.

The official paper of this vilayet, the "Mesul," published on the 15th June an article stating that "Irak will be restored to life when the railway is made," and the reactionary "Njah" has also commented favourably. Neither the Arabs nor the Kurds are likely to share this view. But I have not yet heard of negotiations on this subject having been opened with the sheikhs in this district.

* But I am not aware of any survey having yet been made east of the Tigris.

Sir G. Louther to Sir Edward Grey — (Received September 11.)

(No. 626.)

Sir,

Therapia, September 6, 1911.

THE recent Potsdam Agreement has evoked singularly little comment in the local press, but from such articles as have appeared on the subject it is to be deduced that it is regarded with a certain degree of misgiving. The "Herald," a moderate Opposition paper, in the issue of the 10th inst. has printed, scarcely touches on the question whether the "Agreement" are affected by the agreement as published to the world, but observes that it may be taken for granted that the whole of the instrument has not yet seen the light and that there must be secret clauses.

Even the "Tahua," the organ of the forward section of the com- munity, which has generally been decidedly Germanophil, though prefacing its remarks by recalling that

by the revelations of the "Evening Times," observes that Ottoman public opinion still awaits enlightenment on the real tenor of the agreement, and goes on to ask whether there are no secret clauses. The confidential organs of the Governments of the two Powers, it notes, have spoken of verbal understandings, one of which is believed to have reference to the relations of Russia and Germany with Persia, and the nature of those undertakings can be gathered from the complaint of the "Novos Vremya" that, in spite of Germany's assurances not to encourage Turkey to interfere in Persian

therefore concludes, has agreed to leave Turkey alone to face Russia and Great Britain in Persia. As to verbal understandings touching the extension of the Bagdad Railway to the Russian frontier, the "Tarin" professes to feel no uneasiness, as categorical assurances have been given to the Porte which there is no reason to doubt. The article concludes with the significant remark that it is strange that when a Turkish railway is concerned the real owner should not be admitted to the discussion.

The foreign press comments have been no less meagre and cautious than those of the Turkish press. The Turkish press has been intended to cloak the general chagrin felt at the manner in which Turkey has been ignored by Russia and Germany.

More recently the "Jeune Turc" makes the occasion of Prince Youssouf Izeddin's visit to Berlin and the conferring of the Order of the Black Eagle on the Sultan a convenient pre- on which to hang an article intended to restore confidence in Germany, and pointing out that a close friendship between Germany and Turkey is as much in the interests of the former as the latter, as Turkey is prepared to play the part of a "brilliant third" to Germany in the great movement already preparing

A copy of the article is enclosed herewith.

I have, &c

GERARD LOWTHER.

Enclosure in No. 91.

Extract from the "Young Ture" of September 3, 1911.

ALLEMAGNE ET Turquie.

DEUX faits, la collation par l'Empereur Guillaume à notre Sultan de l'Ordre de l'Aigle noir et la réception Royale faite à Berlin au prince héritier, ont une importance et une signification particulières.

On sent qu'en ce moment-ci nous traversons peut-être l'une des crises les plus
pires, de jour en jour.

Du côté du Golfe Persique, à Koueit, du côté du hinterland d'Aden, à Sinaï, nous sommes en ce point plus généraux.

Dans nos contrées de l'est, également, nous nous sentons peu à notre aise, l'affaire de Perse, créée par deux membres de la Triple Entente, est un mal aussi grand pour l'Empire des Radjass que pour celui d'Osmann.

Somme toute, le troisième membre de cette entente même, ainsi qu'une Puissance de la Triplice, un demi-membre de l'entente, ont vis-à-vis de nous une politique qui n'est guère pour faciliter notre évolution.

Il serait superflu de citer certains faits, certains exemples pour prouver le bien-fondé de notre thèse, la justesse de cette vue.

Or, en ce moment de crise latente, il est vraiment réconfortant pour nous de voir que le pays le moins intéressé qui puisse exister pour nous, au point de vue politique, l'Allemagne, reçoit celui qui, un jour, troncera à Dolma-Bagitché, avec les honneurs dus à un Souverain.

L'article que le journal allemand indépendant—le plus répandu de Berlin—le "Berliner Tageblatt" consacre à ce fait, mérite un examen approfondi. L'importance de cette visite, dit l'écrivain, est d'autant plus grande qu'elle a lieu à un moment où des bruits sont mis en circulation tendant à présenter la Turquie comme menacée par l'accord récemment intervenu entre l'Angleterre et la Russie.

Nous prenons volontiers acte de cet echo des part

association avec la politique tartraphile inaugurée et dirigée, soit sous l'autre régime,

le Kaiser à Constantinople.

Cartes, l'Allemagne a un besoin impérieux d'être bien avec la Russie. Plus d'une question, plus d'une nécessité, la frontière de l'est, les origines des Holsteins-Gottorp qui ont succédé aux Rendsb., &c., obligent la Cour Royale de Prusse d'être avec la Russie, malgré la double alliance, plus intime que les autres. Mais toutes ces considérations ne doivent pas désintéresser l'Allemagne de la Perse, ni conclure des ententes pouvant nous léser tant soit peu.

Cette note de l'organe berlinois a, selon nous, son importance. On dirait que l'Allemagne même, qui a mis un grand retard à signer l'entente, ne la trouve pas opportune.

En continuant, le même journal Allemands offrent à la Turquie la secour mêlée à des aspirations politiques. La situation géographique, non antagoniste.

1. L'Allemagne ne doit et ne peut
2. Seule une Turquie
3. faire contrepoids

multipliaient leurs efforts pour rendre à la Turquie une transition plus douce, ils n'auraient pas seulement un pays qui fut de tout temps en excellents termes avec eux, mais ils contribueraient par là même à la grandeur de l'Allemagne.

Nous sommes très reconnaissants à l'Allemagne d'avoir mis, à nouveau, à notre disposition l'une de ses plus grandes autorités militaires, le Feld-Marschal von der Goltz l'aidera, de nous avoir fourni l'emprunt refusé par Paris, de nous avoir cédé deux millions de combat à un moment critique.

En faisant tout cela l'Allemagne n'a fait, que l'on en soit certain, que rendre plus forte, plus à son aise une force qui, laissée en l'état, serait facilement exploitée par la combinaison diplomatique contraire à elle.

Or, si l'Allemagne prêtait encore une aide plus sérieuse à la Turquie, l'équilibre méditerranéen, l'équilibre de l'Orient ne seraient jamais entamés par d'autres et à son

"Berliner Tageblatt" dit que tout que la Turquie aura à lutter

pour assurer son intégrité territoriale et à entraver son développement, elle trouvera toujours l'Allemagne de son côté.

Nous apprécions la justesse de vues de l'organe allemand, nous ne doutons point que, lors d'une éventualité, l'Allemagne ne saurera naturellement, spontanément de notre côté, cela est une nécessité, on pourrait même dire une obligation, de la politique du jour.

du jour lorsque l'un comprendra à Berlin et à Constantinople que dans le grand mouvement qui se prépare et qui est en train de se faire, soit dans l'Occident, la Turquie peut jouer vis-à-vis de l'Allemagne le rôle de "brillant troisième," et lorsque—disons-le sans crainte—le Gouvernement de

Constantinople sera plus stable, plus solide, plus unie, et nous espérons que le voyage de Youssef Izzeddine Effendi dans la capitale sera...

[35898]

No. 95

India Office to Foreign Office.—(Received September 12.)

Sir, We have the pleasure to inform you that the following is the result of the examination of the documents submitted to the Commission of the European Communities by the Government of the Republic of the Philippines in connection with the application for recognition of the Republic of the Philippines as a member of the Commonwealth of the Philippines.

(Continued from page 10.)

referred to above.—As regards the agreement of 1907, the attitude of the Sheikh as reported in the telegram of the Government of India, was one of opposition to its communication to the Turkish Government, and the Marquess of Crewe agrees, in the circumstances, with the suggestion of the Government of India that the Porte should be informed that we have a lease of land at Kuwait, but do not consider it necessary to discuss the details. With regard to the 1899 agreement, Lord Crewe agrees that it might be communicated, with the addition of the note suggested by the Government of India.

LONDON, 1st February, 1903.

There seems no objection to the communication of the agreement of the
2nd, A. [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted]
[redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted] [redacted]
is proposed to communicate to the Turkish Government a copy of the
agreement with Kowat, the previous understanding suggested in last paragraph

I am, &c.
R. RITCHIE.

[36254]

No. 96.

India Office to Foreign Office.—(Received September 15.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs and forwards herewith a copy of a letter from the Secretary of State, copy of a letter to the Admiralty, dated the 14th September, relative to Persian Gulf surveys.

India Office, September 14, 1911.

Enclosure in No. 98.

India Office to Admiralty

Sir, With reference to the letter from the India Office, September 13 1911, regarding the proposed survey of the coast of the Malay Peninsula, I have the honor to acknowledge the receipt of the letter from the Government of India, reporting that, with two survey vessels, a survey is expected to take place in the Malay Peninsula, and that the survey is expected to take place in the Malay Peninsula, and that the survey is expected to take place in the Malay Peninsula.

* 2007 10 28

out by one of His Majesty's ships and one of the Royal Indian Marine vessels conjointly

The Marquess of Crewe had not, I am to explain, apprehended that the work contemplated would be so laborious or occupy so long a period, and he would be glad, before considering the matter further, to receive the observations of the Lords Commissioners on the proposals made in the telegram of the Government of India.

If the Lords Commissioners should be prepared to detail a vessel, he would be glad to learn (1) the estimated cost, and (2) the basis on which such cost is calculated, with a view to addressing the Secretary of State for Foreign Affairs as to the division of the expenditure.

A suggestion has been made in connection with a scheme for providing additional lights in the Persian Gulf that a vessel may have to be obtained for use as a lighthouse tender, but his Lordship is not at present aware whether it could, if provided, be used also for survey work, in substitution for one of the two vessels that the Government of India propose should be employed.

Copy of this letter has been communicated to the Foreign Office.

I at &
R. RITCHIE

[36806]

No. 97

India Office to Foreign Office,—(Received September 16.)

Sir, IN continuation of the letter of this Office, dated the 24th August, 1911, regarding the lighting and buoyage of the Persian Gulf, I am directed by the Secretary of State for India in Council to enclose a statement of the cost, as estimated in Mr. D. W. Hood's report of the 26th June, 1909, of the several lights and the lighthouse tender that have formed the subject of recent correspondence. As stated in the telegram of the Government of India, dated the 21st August, these are the most accurate preliminary estimates that it is at present possible to obtain; the total, exclusive of the lighthouse tender, amounts to—

4.15.1943, 10-4114

2. The necessity for incurring considerable expenditure on the buoyage of the Gulf has already been recognised in the correspondence between the Foreign Office, the Admiralty, and the India Office, and it has further been agreed that the particular lights included in the statement are those to which priority should be given. I am therefore to suggest that, as proposed in your letter dated the 20th April last, the Lords Commissioners of His Majesty's Treasury should now be moved to accept a moiety of the charges above mentioned as a charge against British revenues, on the understanding that the other moiety will be defrayed by the Indian Exchequer.

3. As regards the lighthouse tender, the necessity for which was strongly emphasised in the report of the Committee of Enquiry, dated the 29th April, 1909 (paragraph 12), and in Mr Hood's report, there will, if it has to be provided, be a further estimated expenditure of—

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For the moment, however, the feasibility is being considered of employing, in lieu of a new tender, the Indo-European Telegraph Department's cable-steamship "Patrick Stewart" at a daily charge for hire of £11, 15s. 4d. It is calculated that to make one tour of the lighthouses would occupy fifteen days. I am to suggest that it should be explained to the Lords Commissioners how the matter stands, and a further communication promised to them as soon as possible. But it should be clearly understood that the cable-steamship is an essential part of the scheme, though every endeavour will be made to keep the cost as low as possible.

4. Another point which is open to doubt is whether the Government of India propose to lay in the near future any further buoys (particularly at Bahram), as

recommended in the naval commander-in-chief's letter of the 25th February 1911, paragraph 1. Their attention has been directed to this in the telegram dated the 18th instant, of which a copy is herewith transmitted. In any case, the cost of the buoys would be small as compared with that of the lighthouses and the light-vessels.

5. As regards the location of a lighthouse at Sheikh Sleuth, it is pointed out that

6. A copy of this letter is being communicated to the Admiralty

I am, &c.

R. RITCHIE

Enclosure 1 in No. 97.

Statement of Cost for Lighting and Buoyage of Persian Gulf

RECOMMENDATIONS made in correspondence ending with telegram of the Government of India, dated August 21, 1911.

Locality.	Nature of Proposal.	First Cost.	Annual Maintenance.	Remarks.
1. Shat el Arab ..	(a.) 1 acetylene gas-buoy at lower bar ..	500	40	See Mr. Hood's estimate on p. 8 of printed report of June 28, 1902.
	(b.) 1 light- vessel ..	9,500	650	Iditto, p. 8.
2. Munambou (Little Queen)	1 lighthouse ..	12,500	400	Iditto, p. 5.
3. Tamat Island ..	1 " ..	7,500	350	Iditto, p. 6.
4. Shetab Shuaib ..	1 " ..	8,000	400	Iditto, p. 7.
5. Bushure ..	1 light-vessel ..	2,500	650	Iditto, p. 8.
Total ..		40,000	2,400	
6.		5,000		Iditto, p. 2. This is included for on the assumption that the "Patrick Stewart" cannot be employed.

Enclosure 2 in No. 97.

Selection of Correspondence as to the Lighting and Buoyage of the Persian Gulf

(1)

Naval Commander-in-chief to Government of India.*

(Secret)

Bombay, February 25, 1911

[illegible]

The recent development of events in the Shat-el-Arab points to the emergence of the danger that Germany will press the local authorities to establish the necessary arrangements for navigation independently of us and that she will thus by degrees establish a position of power in the Gulf. It is our duty to wish to act in a friendly manner, her complaints would be unjust and the health of the Bar would have been addressed to the

* Communicated to Foreign Office and Admiralty, March 25, 1911.

British instead of to the Turkish Government, as it is common knowledge in the Gulf that the Shat-el-Arab is surveyed and the buoys maintained by British and not Turkish authorities.

Turkish authorities.

... which has occurred in this instance may well be done in other cases, and the best way to prevent a repetition is to forestall the Germans by taking action at once. We cannot expect to maintain an exclusive position in the Gulf unless prepared to pay something towards the cost of the lights and buoys as safeguards to navigation, and the installation of wireless signals to facilitate communications. With regard to the latter I have already placed my views before his Excellency in Council in my letter of the 4th February, 1911.

1. The lighting and buoys question was investigated by a committee consisting of Mr. J. H. ... resident in the Persian Gulf, the captain of His Majesty's ship "Sphinx," the officer in charge of the Marine Survey of India, and a representative of Trinity House, who reported on the 29th April, 1909. The lights proposed by the committee in order of importance are—

Shot-el-Arah bar, L. V. and four buoys.

Mussandim (Little Quoin).

34 uscatt

$$H_{\text{total}} = 17.64$$

Sheikh Shuaib,

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Samh.

Kubbar Island (Kowen).

Kas-al-Art (Koweit).

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Bunder Abina.

I suggest that the order should be slightly varied for political reasons, and that it is to be understood that the order will provide a line of lights that will facilitate the lighting of the order. Little Queen, Tambo, and Sheikh

... If the ... (Little Quoin), Tamb, and Sheikh
... all that is immediately necessary on

6. The vessel was found at the bar of the State with the
total loss. It was found that the vessel of the State was a small
sloop, and it was found that the vessel of the State was a small
to be placed up in the State of Texas, and it was found that
4 miles to seaward of the shore, where he was found, on a small
vessel of this kind it is always found up the coast, and it is
desirable to have someone always on the spot, as well as the use of a small vessel
were provided in order to prevent the loss of the vessel, and it is found that
The fishermen do considerable damage to the fishery, and carry off a large
portion.

7. I would strongly recommend that the proposals of the committee relative to the bill be passed as early as possible, particularly with regard to those at issue between the two Houses, so that the bill may be passed by both Houses before the adjournment of Congress.

unduly delayed.

8. The question as to dues to be paid for the lights when established is difficult to answer and I can only offer very few suggestions. It would appear that the only possible way in which any dues could be levied upon the proprietors of the houses is to charge them a certain amount for the right to be allowed to have a light in their houses. It seems to me that this would be a very fair and reasonable way of dealing with the matter. I have, through the above, been able to give you a very brief and general outline of the various points which have been considered and if we could wish to discuss the subject in more detail, I am sure that any great difficulties would be met with regard to the same.

It is so important that the establishment of these links should be undertaken as soon as

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Enclosure 3 in No. 97.

Secretary of State to Government of India.

(Tele. No. 1) India Office, September 18, 1911

I have received your letter of the 17th inst. regarding the proposed purchase of a new light-vessel for Shat-el-Arab, light-vessel for Bushire, and lighthouses for Sheikh Shuaib, Masandim, and Tami.

I am anxious to have your final recommendation as soon as possible as to the possibility of the "Patrick Stewart" being employed instead of the light-house tender.

See naval commander-in-chief's letter of the 25th February, paragraph 7. Do you contemplate immediate placing of buoys referred to therein?

See Trinity House letter of the 30th June, 1909. I think it advisable that timely consideration should be given as to ordering of plant. If necessary, Hood's advice could be taken on this matter.

[36254]

No. 98

Enclosure in India Office Letter.—(Received September 15.)

Government of India to the Marquess of Crewe.

September 2, 1911.

PERSIAN Gulf surveys. See your telegram dated the 5th May last.

Surveys in the Persian Gulf of short duration have been undertaken in the past from time to time by the Indian Marine Survey. It is estimated that, if our two survey vessels are employed, the surveys now projected will take four years or more. In view, in particular, of urgency of surveying coast of Hurmah, neglect of Indian coastal survey for so long a period is undesirable. If both vessels are employed in the Gulf, it will involve further delay of survey work in India, of which a considerable amount is still undone. We can in the circumstances only spare one vessel; as, however, we will prolong the work unduly, we should be glad to be informed, in order to expedite work which is of importance politically and of interest from international standpoint, and which concerns His Majesty's Government no less closely than Government of India, assistance can be given by the Admiralty detailing a vessel.

We suggest that in these circumstances the two Governments should bear the cost in equal shares, a similar basis of calculation being adopted for cost of employing (1) Royal Indian Marine vessel, (2) Admiralty vessel.

Please refer to your telegram dated the 3rd July, 1911; pending further instructions from you, no surveys will be carried out of the areas which it is proposed should be omitted.

[36609]

No. 99

Mr. Crewe to Mr. Braham.—(Communicated by Mr. Braham, September 17.)

Dear Braham,

Constantinople, September 4, 1911.

IN amplification of my cipher, I have a long letter to write. You may not agree with all my deductions, but I think that the theory hereafter to be developed deserves attention.

Monday afternoon I called upon Mahmud Sadik, a Russian Moslem, who has done much for the Committee of Union and Progress, but has of late gravitated towards Sadik Bey's party. He told me that he and certain friends, anxious to find out what Talat and Co. were planning, visited Talat, and hung out deceptive hopes of reconciliation. Talat was very friendly, but the policy of Ottomanization (i.e., Turkification), had to be pursued, though perhaps not in the same way as before. A genuine consili-

at would put the Turks in a position of a 'priority to the other communities, which were more intelligent or had greater commercial' attitudes, &c. He added that after the fall of Hakkı, whenever that might be, the Young Turk party had decided to force on a dissolution. They were weary of the present Parliament, and saw that the combination

could show a great independence of the elements which were in the "Parliamentary" party. They realised

But the dissolution of Parliament depended on Imperial consent, and that might not be given. If not, they would perhaps be able to induce him to abdicate. He was a very timid man, and they had many officers yet on whom

Even if the army majority was against them, Shavket or any other

From another source Mahmud Sadik got the news that Talat had had two long interviews with Yusuf Izz-ed-Din before the latter's visit to Berlin. These interviews were obtained through Dr. Beharuddin, the Prince's man of confidence, who till recently was speaking ill of the committee, but is now on the back of terms with the leaders. (He is now talking to very "advanced" officers.)

must reconstitute itself as a "National" or "Palace" committee (i.e., around the next Sultan. If the present Sultan did not oppose the dissolution, the more likely though the Committee of Union and Progress might not gain so largely in the elections as some hoped. He admitted the

Sadik said that the committee policy now had a double objective, or rather a single immediate objective with double secondary objectives.

Immediate Objective.—Fresh elections and dissolution

If successful, return of Committee of Union and Progress Government in all its glory.

If fails, abdication of Sultan Mohammed V to be followed by the dominant group into a more powerful and more significant position the Throne. In any case the faction in power, or more or less so, had got to remain in *caveau* route.

Sadik remarked that while liberal Western States would not like this, Germany and Austria would. Verb. sup.

That I heard at the club and met Durman, the admiral's secretary.

He said some more in private, which I did not repeat. I may note that more Turkish such British officer here, says the useless and absent

Whom we, like idiots, have been doing in London, that the German Government supply (1) a "corvette-captain," i.e., commander, who would be senior to

I have not obtained, nor has Durman, through Salahuddin, the

as they could be spared. It is believed by Durman's

as they could be spared. It is believed by Durman's

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and Mackinnon are at the Dardanelles, and so uncommunicable with. He did not dare send any message to Williams, now in England (9th month out of 17 1/2), as Williams is a fool and a chatterbox, so asked me what to do. He had proposed writing to Marling, and had written the letter which he showed me. I thereon formed a plan, and we drove out like the devil in a motor to Therapia (42 minutes, with agents out part of the way), got Marling before he turned in, and put the whole business down for submission to Sir Gerard first thing Monday morning. Embassy had been warned from Berlin and London, but had got no proofs, and was therefore overjoyed. I then proposed that, seeing that under the circumstances a wire from here might be literally fatal to Durman's informant and do Durman much harm, our man at Paris or Berlin (preferably former) had best make the discovery. I therefore suggested a cipher wire to the "Times," there being little time, as Mahmoud Moukhtar would perhaps be back in four days. Marling replied that the Ambassador would probably disagree, but, speaking non-officially, if he were I he would do it. So I did. Marling wondered if Hakkı was in this or if the whole business was a Moukhtar-Talaat-Djevid combination. He doubted if Moukhtar would dare it off his own bat. Faught had let them know through me that the Committee of Union and Progress intrigues were very active on shore. We all agreed that Williams, now trying to engage more British instructors and foremen without Mahmoud Moukhtar's express consent, and at the same time trying to make the Minister of Marine appoint him admiral in charge of ships building for Turkey in England—a nice soft job too—was in part the cause of our troubles. Meantime we should have to bite and bark plenty. If we backed down under Turkish pressure what would become of our prestige? Of course the German officers were the thin end of the wedge, and as soon as Williams went there would be a German admiral. So the word was to fight. I take it that this and the plans sketched in the first part of my letter are all in one piece. Moukhtar is working out the Committee of Union and Progress policy in its details. . . . It is an indication of the probable result of the possible triumph of Salomon.

I leave excuse hurry, but what with the long cipher and other work on hand I have not over much time for the mail, and this, as you will realise, is a matter of urgency. We must fight every inch. . . . If we are beaten, that means for the enemies of Turkey, but in any case we ought to be able to make Moukhtar and the Germans sweat blood for a bit.

I wonder how this will affect the B. R. negotiations.

Yours in haste,

PHILIP P. GRAVES.

N B—The reported previous engagements of German officers were only the engagements of merchant skippers for the transport bought in Germany. They were hired to teach the crews the way about.

[34110]

No. 100

Sir Edward Grey to Sir G. Barclay.

N. 11. P.

Foreign Office, September 20, 1911

PLEASE give me your views on a suggestion made by the India Office with regard to the projected Mohammerah-Khorramabad Railway.

The suggestion is that, in any negotiations in which the Persian Railway Syndicate may engage in connection with this line, they should apply not only to the Persian Government but to the Sheikh of Mohammerah at the same time. India Office consider that this should be done in the interests of the sheikh.

[34110]

No. 101.

Foreign Office to India Office.

Sir,

Foreign Office, September 20, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 29th August, relative to Lieutenant Wilson's report upon the route for a railway from Mohammerah to Khorramabad.

I am to state, for the information of the Secretary of State for India, that the

[38962]

No. 99*

Sir G. Barclay to Sir Edward Grey — (Received September 20.,

N. 11.

Gulabek, September 20, 1911

VENTURE to suggest that the draft contract of the Persian Railway Syndicate and more especially article 4, to which I fear Sheikh of Mohammerah may take exception, be submitted to His Majesty's consul-general at Bushire

views of Sir George Barclay have been requested by telegraph regarding the suggestion contained in the second paragraph of your letter, viz., that the Persian Railways Syndicate should, in any negotiation that they may engage in in respect of this line, along with their application to the Persian Government, apply simultaneously to the Sheikh of Mohammerah.

With regard to paragraph 3, the question of communicating certain parts of Lieutenant Wilson's report to the syndicate and to the Persian Transport Company, who have also asked to see it, will be considered in due course.

I am to add that Sir E. Grey concurs in the view expressed by the Secretary of State for India that comment on Lieutenant Wilson's report should be reserved until the views of the Indian Government have been received.

I am, &c.

LOUIS MALLET.

[37166]

No. 102.

Persian Railways Syndicate to Foreign Office.—(Received September 23.)

Winchester House, Old Broad Street, London,
September 19, 1911.

Dear Mr. Mallet,

I HAVE to acknowledge your letter of the 9th instant and to advise you that a ~~variation~~ ~~in~~ ~~article~~ ~~10~~ ~~of~~ ~~the~~ ~~draft~~ ~~railway~~ ~~contract~~ ~~has~~ ~~been~~ ~~duly~~ ~~revised~~ ~~and~~ ~~reissued~~ ~~in~~ ~~the~~ ~~form~~ ~~of~~ ~~a~~ ~~telegram~~ ~~dated~~ ~~the~~ ~~11th~~ ~~instant~~ ~~to~~ ~~Mr.~~ ~~Brown.~~

In addition to the above telegram, I am enclosing copies of several others exchanged with Mr. Brown subsequent to those of which you have already had copies.

Is it possible that we could be allowed to see Lieutenant Wilson's report on the route from Mohammerah to Khorramabad, as this would aid us materially in arriving at the figures which we require to put before the Treasurer-General in regard to our proposals?

Yours very truly,

C. GREENWAY, Chairman.

Enclosure 1 in No. 102.

Mr. Brown (Tehran) to Persian Railways Syndicate.

(Private.)

(Telegraphic.)

[Received September 19, 1911.]

COMMUNICATE the following to C. Greenway.

"Refer to our letter of the 30th August. Treasurer-general ~~should~~ ~~be~~ ~~included~~ ~~in~~ ~~order~~ ~~to~~ ~~provide~~ ~~for~~ ~~the~~ ~~administration~~ ~~finance~~ ~~and~~ ~~development~~ ~~resources~~ ~~Persia.~~ ~~Persia~~ ~~believes~~ ~~he~~ ~~can~~ ~~push~~ ~~contract~~ ~~through~~ ~~Medjlis~~ ~~but~~ ~~Medjlis~~ ~~resign~~ ~~the~~ ~~1st~~ ~~November~~ ~~and~~ ~~it~~ ~~is~~ ~~treasurer-general~~ ~~of~~ ~~Persia's~~ ~~opinion~~ ~~there~~ ~~will~~ ~~not~~ ~~be~~ ~~any~~ ~~other~~ ~~Medjlis~~ ~~consequently~~ ~~there~~ ~~is~~ ~~no~~ ~~time~~ ~~to~~ ~~lose.~~ ~~Treasurer-general~~ ~~of~~ ~~Persia~~ ~~requires~~ ~~for~~ ~~Medjlis~~ ~~estimated~~ ~~cost~~ ~~construction~~ ~~each~~ ~~railway.~~"

Enclosure 2 in No. 102.

Persian Railways Syndicate to Mr. Brown (Tehran).

(Private.)

(Telegraphic.)

Winchester House, Old Broad Street, London,
September 19, 1911.

REFERRING to your telegram of the 18th.

Do not understand attitude of treasurer-general. Does he think syndicate philanthropic? If not, where does he expect them to get their remuneration from? It appears to us that the difficulties he is raising regarding remuneration security, gauge, &c., are with the object of making us withdraw because of other proposals. What is Hart doing? Reply at once.

Persian Railways Syndicate to Mr. Brown (Tehran).

Winchester House, Old Broad Street, London.
September 11, 1911.

BRING to your telegram of the 1st

Article 16 was intended to cover syndicate's remuneration but to meet treasurer-general's point. Alter contract as follows:—

Referring to draft concession, p. 5, line 1, delete "actual"; ; 5, line 4, delete "for," substitute "up to"; p. 5, line 6, delete "for," substitute "also 5 per cent. upon estimated cost as aforesaid as remuneration to syndicate for its services and to cover"; p. 7, lines 5 to 18, delete from "the" to "therewith" and substitute "in event of aggregate amount paid by syndicate under any such contracts and in respect to interest and expenses being less than estimated as in article 12, syndicate shall, when railway completed and opened, at their option either pay Persian Government cash equivalent at 87½ per cent. of nominal amount bonds issued in excess of such aggregate amount, or deliver such excess in bonds at par. If such aggregate amount exceeds than estimated costs, Government shall, when called upon by syndicate, indicate additional railway bonds similarly secured at 87½ per cent. of nominal amount"; page 8, lines 14, 15, delete from "the" to "such revenue of Southern Persia as may be applicable to the railway project approved."

Enclosure 4 in No. 102.

Mr. Brown (Tehran) to Persian Railways Syndicate.

Received September 11, 1911.

FOLLOWING are proposals of treasurer-general:

[illegible]

I foresee difficulties regarding southern customs, which will be required for future
 to keep Government afloat. Treasurer-general strongly recommends insert in
 and four articles enclosed in referring to my letter of 30th ultimo.

Persian Railway Syndicate to Mr. Brown (Tehran).

Winchester House, Old Broad Street, London,
September 14, 1911.

(Telegraphic.)

REFERRING to your telegram of the 11th.

Referring to draft contract concession enclosed with letter dated the 17th August,
1911, p. 2, line 22, after "land" insert "and other land belonging to Government
free cost"; p. 2, lines 24 to 26 delete "the" to "works," Article 8 must stand.
We consider its deletion extremely unsound, because would increase cost and
bond issue considerably, and render remunerative working more difficult and
depreciate bond price. P. 3, line 32, p. 4, line 1, delete "together" to
import." Article 11, agree "4," but "15" must stand owing to difficulties weather and
~~situations~~. P. 4, line 15, insert after "gauge" "which gauge to be decided
by estimate(s) submitted." P. 4, lines 17, 18, 19, delete "the" to "situate," insert
water rack" "and shall be of first-class construction and workmanship adapted
to the class and need(s) country traversed." P. 5, line 10, agree(s) to "3."
P. 6, line 15, agree(s) to your insertion (in). P. 6, line 22, agree s) to "three."
P. 7, line , article 17, rider to must stand, as it is impossible to fix period before
completion survey Page 7, line 23, agree net. P. 9, line 6, agree $\frac{1}{2}$ per cent.; p. 8,
line 7, after "the" insert "date on which it is anticipated (that)" the," delete "shall
have been," substitute "will be." Article 20, line 17, after "the" insert "joint,"
after or insert ~~proposed~~
Lane 23, after "hereof" insert "Syndicate to send reasonable regulation as required
from time to time Government, who undertakes to authorize payment of same within
fifteen days thereafter. Interest on proceed to be accounted for to the Government
and be applied either ~~towards~~ towards the redemption in article 19 or in
payment of subsequent interest of bond." P. 12, line 2, gross absolutely essential;
syndicates not philanthropic. P. 12, line 22, insurance usual, no other fund(s)
available for possible damage(s) to line(s) and customer Article 23 agree stop P. 11,
line 17, delete "the said," insert "such"; line(s) 17, 18, delete "~~or by way of~~"
19, substitute " $\frac{1}{2}$ per cent." for "1 per cent."; line(s) 20, d- to ~~(s)~~ 20, 21,
delete "as" to "thereby," substitute "in a proper and efficient manner"

Enclosure 6 in No. 102.

Persian Railways Syndicate to Mr. Wood (Tehran)

Winchester House, Old Broad Street, London,
September 14, 1931.

(Telegraphic.)

COMMUNICATE the following to D. Brown:

" (Private.)

"(Private.)
"Referring to your telegram of 11th September, after word 'agreement' to end. In view of desirability completing contract earliest possible moment, and present inability Persian Government offer security that would provide adequate marketable basis for bond issue, it is necessary leave question of security open, and to conclude contract in accordance with present wording article 19. Similarly suggested four articles referred to in your letter of 30th August will be dealt with at same time. In the meantime, however, arrange with treasurer-general to reserve post telegraph W. K. D'Arcy's concession as collaterals to main security eventually arranged. Telegraph estimate of post telegraph revenues."

Enclosure 7 to No. 102

Mr. Brown (Tehran) to Persian Railways Syndicate.

[Received September 8, 1911.]

(Telegraphic)

(Telegraphic) **TREASURER-GENERAL** strongly objects article 5, which will (would) lead to endless difficulties and friction. As an alternative suggests, but does not recommend, that detailed lists of articles to be imported duty free giving actual weights of

the rails, bolts, &c., must be submitted for approval with the estimate. Referring to draft contract concession, p. 5, line 5, under no consideration can he accept remuneration clause. Page 7, line 5, to end of article, is not sufficiently definite; it should be stated in event of cost being less than estimate, syndicate has the option of refunding difference in cash or in bonds at 87½ per cent. Page 4, line 15, width gauge should not appear in contract, because should it be decided later adopt different width, it would be necessary obtain permission *pari passu*. Page 4, line 21, delete "or," substitute "and/or." Page 14, lines 21, 22, 23, delete from "be" to "the tariff rates must be fixed currency country." Page 12, line 2, will not agree gross but agrees to net, not as remuneration, but as a bonus giving syndicate monetary interest in economical working and development railways. Page 12, line . . . treasurer-general considers insurance of lines and stations bad finance, but under no circumstances should customers be insured. Page 8, line 14, delete "Southern Persia."

Treasurer-general states that it is essential (to) security for at least first railway should be fixed in contract, otherwise syndicate might postpone construction on plea security not approved. For subsequent lines clause will be necessary that, should security offered not be approved by syndicate, Government to have right to offer identical security to others, and should it be accepted by them, Government will be free give construction of such lines them. Treasurer-general proposes following securities: post and telegraph, present net revenue 120,000 tomans, but should yield 250,000 under new English Telegraph Administrator. Persian Government's interests, D'Arcy's concession, first charge on up to 100,000% per annum, every and any net revenue which may be established. This does not include opium receipts, estimated at about 400,000 tomans, which treasurer-general wishes to retain for other purposes, but if absolutely necessary he will give them also. Treasurer-general insists upon veto, but suggests proviso that should anything vetoed not be approved by railway general manager it should be submitted to arbitration.

[37161]

No. 103.

Board of Trade to Foreign Office.—(Received September 22.)

(Confidential.)

Sir,

Board of Trade, September 21, 1911.

I AM directed by the Board of Trade to refer to your confidential letter of the 31st August, with enclosures, respecting the proposed Trans-Persian Railway.

With reference thereto I am to say that the Board presume that the predominant considerations with regard to this matter are political rather than commercial.

From a strictly commercial point of view (from which alone this department has examined the question), an undertaking on the part of His Majesty's Government to guarantee the line would appear to be justifiable only on the ground either that the railway would ultimately be a remunerative enterprise, and therefore deserving of support during a preliminary period of loss; or alternatively that, although itself remaining unremunerative, it would be likely to prove of substantial advantage to British trade as a whole by opening up and facilitating access to new markets. On neither ground does it appear possible for any sufficient case in favour of the proposed line to be made out to enable a Government guarantee to be defended on a purely commercial basis, and the Board see no reason to modify the opinions expressed in their letter of the 13th September, 1910, as to the commercial prospects of the undertaking.

I am, &c.

H. LLEWELLYN SMITH.

[37218]

No. 104.

*Enclosure in India Office Letter.—(Received at Foreign Office, September 23.)**Rear-Admiral Sir E. Blade to Government of India.*

(Confidential.)

Sir,

"Highflyer," at Colombo, August 6, 1911.

WITH reference to the letter of the political resident in the Persian Gulf, dated the 19th May, 1911, addressed to the naval commander-in-chief, relative to the survey

[37197]

No. 103a.

Sir G. Barclay to Sir Edward Grey.—(Received September 22.)

(No. 421.)

(Telegraphic.) P.

Gulahak, September 22, 1911.

PERSIAN Railways Syndicate.

In reply to your telegram No. 272 of the 21st September, I have the honour to report that the Persian Railways Syndicate is now asking for the following security: Telegraphs, interest in the Anglo-Persian Oil Company held by the Persian Government, and any (and every*) new revenue which may be created, the annual return of which will reach 100,000%.

[37199]

No. 103a.

Sir G. Barclay to Sir Edward Grey.—(Received September 22.)

(No. 422.)

(Telegraphic.) P.

Gulahak, September 22, 1911.

IT is, I find, treasurer-general who is offering, and not, as erroneously stated in my telegram No. 421 of to-day's date, syndicate which is asking for securities outlined.

* These two words were omitted in my draft of the telegram.—G. B.

[1510]

2 H*

and lighting of the port of Bushire, a copy of which has been sent to the Government of India, be pleased to acquaint his Excellency the Viceroy and Governor-General of India in Council as follows:—

2. From the experience gained of the light buoy now established on the outer bar of the Shatt-al-Arab, it would seem that a similar buoy at Bushire in the outer anchorage would equally well serve all the purposes of navigation at the latter port.

3. The buoy in question appears to have mechanism attached to it by which the light can be occulted at any desired intervals, and the possibility thus avoided of its being mistaken for any ship or shore light. A light buoy would of course be far cheaper to provide in the first instance and to keep running than a light-vessel. At the same time, it is a matter for consideration whether it might not be better, from a political point of view, to provide a light-vessel, as being more imposing and more likely to enhance British prestige than a mere buoy. The light-ship would fly the British ensign, and her nationality would thus never be mistaken; while soon after the establishment of a buoy, its ownership would probably be forgotten by all except the authorities immediately responsible for its maintenance.

4. A light-ship at Bushire would have the further advantage of supplying a possible means of communication between the outer anchorage and the shore—a thing which would be of great convenience at Bushire, where signalling between the ships and the shore is often impossible owing to the haze and distance.

It is further suggested that if she were supplied with a short-distance wireless telegraphy set, which is not expensive, she would always be in communication with the Bushire telegraph station when the proposed wireless telegraphy installation has been erected there.

I have, &c.

EDMOND J. W. SLADE.

[37341]

No. 105.

Sir G. Lowther to Sir Edward Grey.—(Received September 25.)

(No. 643.)

Sir,

Therapia, September 20, 1911.

THE Grand Vizier yesterday told me with evident gratification that his Government had received satisfactory replies from the Russian and German Governments with regard to the arrangement recently concluded between them regarding the Khanikin junction railway.

On the conclusion of the arrangement the Ottoman Government had called the attention of those Governments to the fact that, as the line in question was to be constructed on Ottoman territory, the exclusion of this Government from all participation in, and knowledge of, the arrangement seemed singular.

His Highness said that the Russian Government had replied that, as the German Government was giving the undertaking, referring presumably to those contained in article 1, they supposed that the Ottoman Government had been duly notified beforehand by that Government.

The German Government had, through its chargé d'affaires here, sent a note stating that, the line in question being Ottoman, they had had no intention in the smallest degree of encroaching on Ottoman sovereignty.

The "Tanin" has also mentioned the matter, and added that the omission to communicate the intention of the arrangement had been explained in the German note as being due to the absence of Herr von Kiderlen-Waechter from Berlin at the time, but expressed the hope that such misunderstandings might not be repeated.

I have, &c.

GERARD LOWTHER.

[37861]

No. 106.

Papers communicated by Mr. Greenway September 27, 1911.

(1.)

Mr. Brown (Tehran) to Persian Railways Syndicate.

(Private.)

(Telegraphic.)

[Received September 19, 1911.]

COMMUNICATE the following to C. Greenway:—

"Refer to our letter of the 30th August. Treasurer-general of Persia states it is very important four articles should be included in order to provide for continuity administration, finance, and development resources Persia. Treasurer-general of Persia believes he can push contract through Medjliss, but Medjliss resign the 1st November, and it is treasurer-general of Persia's opinion there will not be any other Medjliss; consequently there is no time to lose. Treasurer-general of Persia requires for Medjliss estimated cost construction each railway."

(2.)

Persian Railways Syndicate to Mr. Brown (Tehran).

(Private.)

(Telegraphic.)

*Winchester House, Old Broad Street, London,
September 19, 1911.*

Referring to your telegram of the 18th. Do not understand attitude of treasurer-general. Does he think syndicate philanthropic? If not, where does he expect them to get their remuneration from? It appears to us that the difficulties he is raising regarding remuneration security gauge, &c., are with the object of making us withdraw because of other proposals. What is Hart doing? Reply at once.

(3.)

The Imperial Bank of Persia (Tehran) to Mr. Brown (Tehran).

(Private.)

(Telegraphic.)

[Received September 20, 1911.]

Communicate the following to C. Greenway:—

"W. Morgan Shuster says remuneration syndicate is profit rate of issue of the loan 8 per cent. nett receipts railways and one-half nett receipts in excess of 5 per cent. interest on capital employed, which treasurer-general of Persia considers ample remuneration. W. Morgan Shuster says H. G. Hart has talked to him about proposal international syndicate, but up to the present has submitted nothing definite. Believed not to be serious."

(4.)

*Persian Railways Syndicate to Mr. Brown (Tehran).**Winchester House, Old Broad Street, London,
September 22, 1911.*

(Telegraphic.)

Referring to your telegram of the 18th:—

Article 5 we agree (to) submit for approval with estimates lists of articles to be imported free, but cannot give actual weight, &c. Suggest import certificate signed by syndicate manager same as Anglo-Persian Oil Company (Limited) stating articles required for construction and working will meet case. P. 5, line 6, remuneration on construction *and* *and* *and*, other remuneration indicated problematic and quite inadequate for risks involved; but if treasurer-general wishes cover it, suggest(s) it should be included in estimates under article 13. P. 7, line 5, agreed to in cash or in bonds at 87½ per cent. P. 4, line 15, delete from "of" to "or," substitute "not more than." Syndicate would under no consideration agree finance wide gauge which some Persians want because (of) cost absolutely prohibitive and remunerative working impossible, also quite unsuited mountainous country.

P. 4, line 21, insert (in) "and/or." P. 14, line 21, after "be" insert (in) "fixed in currency country." P. 14, line 23, delete "be fixed," substitute, if necessary, "be adjusted." P. 12, line 2, must be gross as otherwise syndicate might get no remuneration during working for several years. Payment on nett absolutely unsound because (of) inducement to starve upkeep and consequent endless disputes. Veto power conceded treasurer-general afford ample protection Government. page 12, line 22, delete "or passenger"; p. 5, line 14, delete "Southern Persia." Impossible fix contract more definitely at present because (of) Government. Cannot now offer security showing at present revenue adequate income for service bonds, nor can cost be estimated before gauge settled and survey made. First railways probably require bond issue 4,000,000*l.*, requiring 200,000*l.* for service, whereas post telegraph opium offered only now yielding 100,000*l.*, 4,000*l.* D'Arcy concession nil. Therefore if it is desired conclude contract speedily there is no alternative but to leave security to be arranged later. Page 14, line 29, insert "should treasurer-general object to any payments made or to be made in connection with working, maintenance, or replacement of the line to which objection syndicate shall not agree, question in dispute shall be referred to arbitration." Article 24, add rider "should security offered by Government for bonds to be issued for construction lines, secondly, thirdly, fourthly described be in opinion syndicate inadequate, Government shall be at liberty (to) offer bonds third parties price not less than 87½ per cent. proceeds issue up to 87½ per cent. nominal value shall be dealt with similarly as mentioned." Article 20, "for the purpose of enabling syndicate construct such line." All term(s) relating (to) construction and payment for construction line first herein described shall (so far as applicable) apply (to) construction and payment line irrespective (of) which bonds issued.

(5.)

*Persian Railways Syndicate to Mr. Brown (Tehran).**Winchester House, Old Broad Street, London,
September 23, 1911.*

(Telegraphic.)

Referring to our telegram of the 22nd:—

For "p. 14, line 29," read "p. 13, line 30."

(6.)

Persian Railways Syndicate to Mr. Brown (Tehran).

(Private.)

(Telegraphic.)

*Winchester House, Old Broad Street, London,
September 23, 1911.*

"First source remuneration very problematic, and might be less owing unsettled future country; second, would not mature five years, and then very small; third, nil. On these terms syndicate would not consider business at all. Point out first source purely finance profit, and that several years' services on construction work must be separately and adequately remunerated, and also subsequent expert working. You have not explained treasurer-general's attitude. He is apparently hostile, otherwise would not raise these impossible objections. Referring to your telegram of the 19th, agreeable include articles subject to approval Foreign Office. Will telegraph shortly."

(7.)

Mr. Brown (Tehran) to Persian Railways Syndicate.

[Received September 25, 1911.]

(Telegraphic.)

Referring to your telegram of the 22nd.

Article 5, treasurer-general agrees to importation materials clearly necessary for the actual construction of line stations, telegraph, telephone(s), fence(s) machinery duty free, all other articles to pay duty, and, if found necessary for railway equipment(s), duty to be included in bond issue. Treasurer-general insists (upon) that syndicate not being railway, engineer(s) should not expect remuneration as constructors; their remuneration should come from financial transactions. Suggests as alternative that

technical features contract be settled, leaving price(s) bond(s) later determination; for instance, firm(s) price(s), 862.10s., might be acceptable (to) for issue(s) first line. Government willing (to) pay reasonable office(s) expenses syndicate, London. Treasurer-general agrees to 7½ per cent. nett receipts contract should leave gauge wholly free for determination construction engineer with knowledge (of) funds available. Treasurer-general considers your estimate(s), 4,000,000L, for first line very excessive, in view of nature of country, which mostly flat; 8,000L mile very outside for metre gauge. Treasurer-general very well disposed towards the railways, and determined to put contract through. Treasurer-general insists (upon) time limit which may be liberal one, for completion first line. Parliament dissolves 23rd October. Acknowledges receipt of the altered copy of the draft contract enclosed with our letter No. 5.

(8.)

Persian Railways Syndicate to Mr. Brown (Tehran).

*Winchester House, Old Broad Street, London,
September 26, 1911.*

(Telegraphic.)

Referring to your telegram 25th: duty.

We accept. Syndicate performs three functions—first finance, second management and supervision, construction, third future management working railway. Remuneration for first will be covered in price bonds; second will involve immense work extending over number of years another similar contract provided for 15 per cent. on gross expenditure plus 5 per cent. on all material purchased abroad, if treasurer-general prefers we can arrange 5 per cent. to be included in contractor's estimate, but syndicate must be separately remunerated for this work in addition to office expenses. Syndicate do not anticipate profit on bond issue and if necessary you can agree refund to Persian Government difference between purchase price and actual nett proceeds realised allowing 1 per cent. to syndicate for expenses; third we cannot accept less than 10 per cent. on nett receipts before paying bond service with reasonable minimum, say 10,000L per annum. Gauge, we agree. Impossible make reliable estimate before actual survey, but flat country very difficult, necessitates bridging two wide rivers, and intervening country badly cut up by water courses. Time limit difficult fix before survey, but if absolutely necessary we agree six years from approval survey.

[38606]

No. 107.

Sir Edward Grey to Sir G. Barclay.

(No. 119. Secret.)

Sir,

Foreign Office, September 27, 1911.

I TRANSMIT to you herewith copy of a letter and its enclosures from the India Office,* respecting the proposal for the buoyage and lighting of the Persian Gulf, with the details of which you have been kept acquainted by the print sent to you in the Secret Series.

You will observe that the scheme now recommended by the India Office includes the erection of a lighthouse on the island of Sheikh Shuail, at an estimated cost of 8,000L. For this it will be necessary to approach the Persian Government. You should therefore take an opportunity of explaining the matter to them; but if, in your opinion, the present moment is not a favourable one, you should use your discretion as to when the communication should be made.

I may add, for your information, that, in accordance with the suggestion contained in paragraph 2 of the India Office letter, I am requesting the Lords Commissioners of His Majesty's Treasury to accept a moiety of the necessary charges as a charge against British revenues, in view of the importance of the matter and the necessity for speedy action in order to forestall possible action by another Power.

I am, &c.

B. GREY.

* No. 97.

[37882]

No. 108.

Sir G. Barclay to Sir Edward Grey.—(Received September 28.)

(No. 443.)

(Telegraphic.) P.

Persian Railways Syndicate.

Please refer to Foreign Office letter of 11th July to India Office.

I have the honour to report that M. Poklewski enquired on 26th September what progress syndicate was making. I deemed it more advisable to inform him in reply of the main features of the scheme than to pretend to be ignorant of the matter, to allow him to find out from other sources. Now that the negotiations have made some progress, I venture to suggest that it might be more politic to be in the Russian Government. When I read Foreign Office letter under reference, the print I felt that Russia might take umbrage at the course adopted, but I did not mention my apprehensions, as it seemed unlikely that the Medjilis would accept the scheme. Treasurer-general has now, however, acquired such influence over this body that as soon as an agreement is reached with the syndicate there may not be great difficulty. In these circumstances, I beg to submit that the discussion which Russia was promised when we were applying for an option only will be difficult after the scheme has been accepted by the Medjilis, and when only signature is required to make the contract a *fait accompli*.

Gulshah, September 28, 1911.

[38185]

No. 109.

Sir G. Barclay to Sir Edward Grey.—(Received September 30.)

(No. 452.)

(Telegraphic.) P.

Gulshah, September 30, 1911.

WITH reference to your telegram No. 267 of the 20th September and to my telegram No. 414 of the same date, I have the honour to state that I do not consider it necessary to make an application to the Sheikh of Mohammernah. Such a step would, moreover, offend the Persian Government.

We should, however, I think, keep the sheikh informed of developments, and due care should be exercised to see that his rights are safeguarded.

It would, I also think, be well to inform sheikh of the Persian Railway Syndicate's negotiations with the Persian Government as soon as possible. Sheikh will doubtless then communicate with the Central Government, and demand to be consulted in the matter.

Foregoing suggestions are made after consultation with His Majesty's consul-general at Bushire.

I should be glad to know whether I am authorised to bring the negotiations to the notice of Sheikh Kha'sai. Syndicate's agents in Tehran will, of course, be kept informed of the steps I take, and I shall endeavour to suit their convenience as to the moment for notifying Sheikh Kha'sai.

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